Technovator

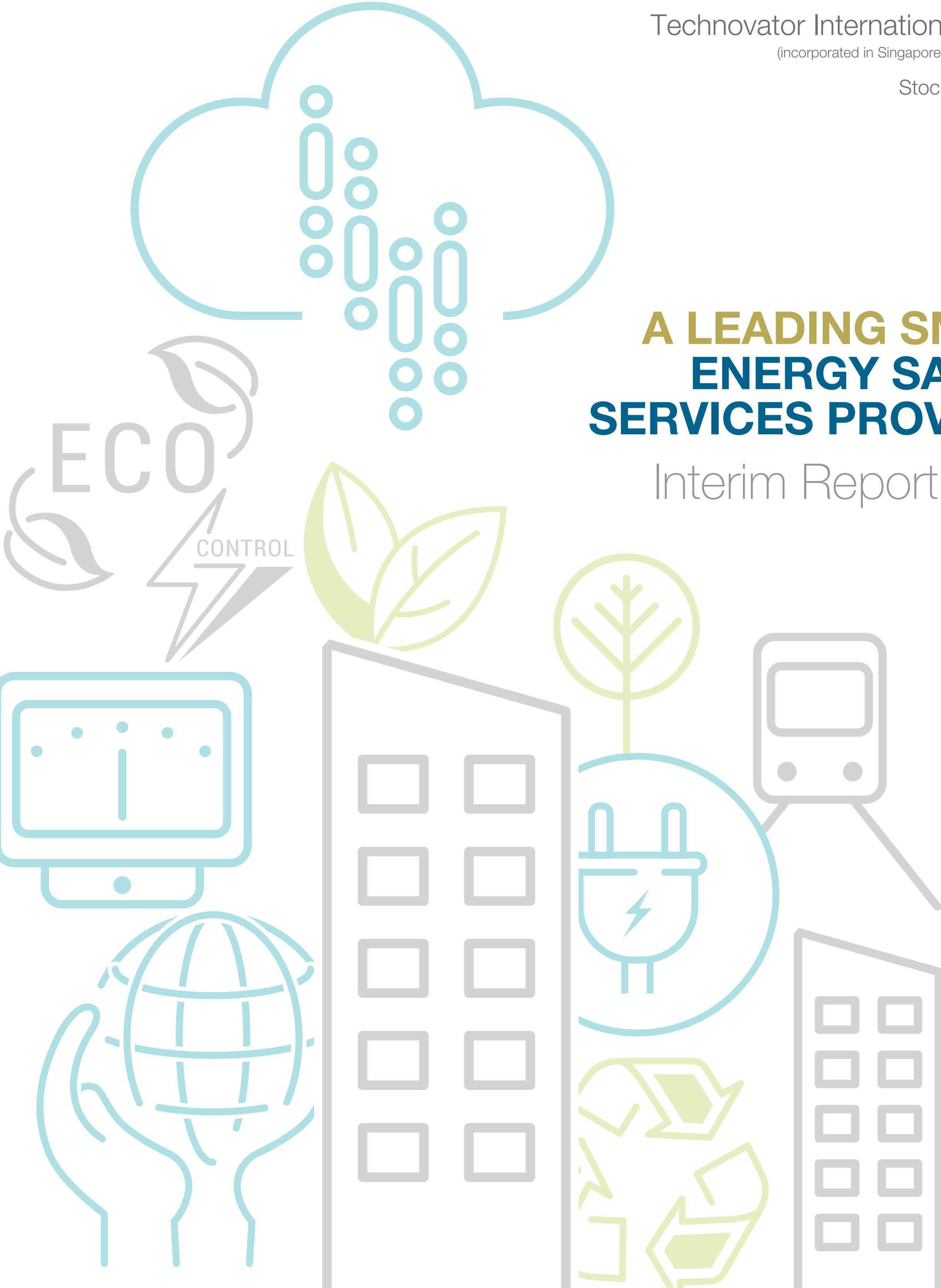
Technovator International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

A LEADING SMART ENERGY SAVING SERVICES PROVIDER

Interim Report 2019



CONTENTS

Corporate Information	02
Management Discussion and Analysis	04
Corporate Governance and Other Information	12
Independent Review Report	18
Consolidated Income Statement	19
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	23
Condensed Consolidated Cash Flow Statement	24
Notes to the Unaudited Interim Financial Report	25

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhao Xiaobo (趙曉波)
Mr. Qin Xuzhong (秦緒忠) *(Chairman)*

Non-executive Directors
Mr. Huang Yu (黃俞)
Mr. Liu Tianmin (劉天民)
Mr. Wang Yinghu (王映滸)

Independent Non-executive Directors
Mr. Fan Ren Da Anthony (范仁達)
Mr. Chia Yew Boon (謝有文)
Ms. Chen Hua (陳華)

BOARD COMMITTEES

Audit Committee
Ms. Chen Hua *(Chairman)*
Mr. Chia Yew Boon
Mr. Fan Ren Da Anthony

Nomination Committee
Mr. Chia Yew Boon *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Huang Yu

Remuneration Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Huang Yu
Mr. Chia Yew Boon

Risk Management Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Huang Yu
Ms. Chen Hua
Mr. Chia Yew Boon
Mr. Liu Tianmin
Mr. Wang Yinghu
Mr. Zhao Xiaobo
Mr. Qin Xuzhong

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Ms. Selena Leong Siew Tee

AUTHORISED REPRESENTATIVES

Mr. Qin Xuzhong
Mr. Zhao Xiaobo

REGISTERED OFFICE

66 Tannery Lane
#04-10/A
Sindo Industrial Building
Singapore 347805

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

66 Tannery Lane
#04-10/10A
Sindo Industrial Building
Singapore 347805

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Luk & Partners
in Association with Morgan, Lewis & Bockius

AUDITORS

KPMG
KPMG LLP

SINGAPORE PRINCIPAL SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00
Singapore 068898

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.technovator.com.sg

PRINCIPAL BANKERS

Standard Chartered Bank
DBS Bank
The Hong Kong and Shanghai Banking Corporation Limited
Agriculture Bank of China
Bank of China
Industrial and Commercial Bank of China
China CITIC Bank
China Construction Bank
China Merchant Bank
Bank of Beijing
Huaxia Bank
China Everbright Bank

INVESTOR RELATIONS CONTACT

Ms. Hannah Zhang
Tel: +86 10 8239 9391
Email: zhanghan@thtf.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

Impacted by the macro-economy, the domestic market demand fluctuated in 2018, with many projects delaying the start of the bidding process and a decrease in the overall volume of contracted projects of the Group, which resulted in an insufficient number of executable projects in 2019. In the first half of 2019, the Group's overall revenue decreased by 15.4% year-on-year to RMB665.9 million and net profit decreased by 45.5% year-on-year to RMB38.1 million.

In order to cope with the adverse impact of the market, the Group actively adjusted its pace, deepened its transformation, encouraged employee value enhancement and technology innovation, and held a new urbanization product launch event during the period to bring the latest software and hardware products developed by the Group to the market. By doing so, the Group seeks to actively grasp opportunities, embrace challenges and pursue new development.

BUSINESS REVIEW

Smart Transportation Business

By leveraging on solid engineering experience, technical strength and brand reputation, the Group's rail transit segment overcame the negative factors of the market. Both the scale of revenue and the number of new orders increased during the period.

In terms of technological research and development, the segment follows the Group's principle of "combination of the development of major facilities and major projects (重大裝備的發展與重大工程相結合)". Based on the successful exploration and application of various projects in Beijing, Guangzhou, Shenzhen, Qingdao and Xi'an, the "Rail Transportation Command Center Software Platform ezNCC2.0" was officially launched during the period, delivering higher intelligence to the centralized command and control of urban rail transit. At the same time, the software platform of the segment was certified with the Safety Integrity Level SIL II by SGS, the international authoritative certification body, during the period, which indicates that the technical level and reliability of the software is in line with the highest international standards.

In terms of the expansion of the business, the Group has successfully carried out the implementation of subway intelligence projects such as Shenyang Subway Line 10 and Shijiazhuang Line 1 during the period. At the same time the Group entered into a number of large projects in various places, including Hohhot Subway Line 2, Wuhan Subway Line 5, Hangzhou Subway Line 7, and Jinan Line R2. Among which, Wuhan Subway Line 5 is not only the sixth integrated supervision project the Group has contracted in Wuhan, but also the first fully automatic and unmanned line of Wuhan Subway, which requires higher system safety and stability. The successful implementation of the project has provided valuable experience for the smart operation in unmanned line.

Smart Building and Complex Business

Owing to the dual impact of the slowing growth rate of the building industry in the PRC and the revenue settlement progress of a large project, the Group's revenue from the smart building and complex business during the period decreased but the profit margin for the business remained stable.

In terms of technological research and development, the "Intelligent Utility Tunnel Management Platform UTM3.0 System" has been formally launched during the period, which realized the 3D visualization application of BIM+3DGIS, built the all-time and dimension sensing system of the utility tunnel, provided up to 78 kinds of open interfaces and protocols, and adopted edge computing technology for the first time in the utility tunnel industry, which delivered a more powerful 'brain' for the operation and maintenance management of the urban integrated tunnel. In addition, the Group is developing and constructing a new universal control system under a private cloud platform, and a new room controller using swarm intelligence technology in a bid to create a constant source of momentum for technological innovation and project upgrading of urban smart building.

In terms of business expansion, the Group strives to seek opportunities amidst the adverse market environment, and was brave enough to face challenges and take responsibilities. As a result the Group has successfully signed several major projects during the period. In the intensely competitive environment, the Group strives for further excellence, quality and innovation, and has maintained the public reputation of its brand and stable profit margin of the segment with its capabilities in construction and technology. The Group has successfully signed the headquarters intelligent project of Asian Infrastructure Investment Bank, which indicated that the Group has reached new height in the smart building sector, contributing to the high quality development of the national "One Belt, One Road" initiative. The Group also signed the Hengqin port project, which has become an important milestone for the Group to expand in the Guangdong-Hong Kong-Macao Greater Bay area. The signing of the Beijing new airport's integrated pipeline project is an uplifting evidence of the Group's technology competence in the urban integrated pipeline sector. Meanwhile, the self-developed Techcon series building control products sustained its wide application in many places such as Beijing, Sichuan and Hubei.

Smart Energy Business

The revenue of the Group's smart energy business decreased during the period, which was mainly due to the postponement of some Energy Management Contract (EMC) projects of the segment in 2018 and a decrease in revenue settlement during the period. The Group expects that the EMC project contract will start to recover in this year.

In terms of technological research and development, the segment successfully launched three hardware and software products during the period. Targeting the urban heating network and heating companies, the "Smart Heating Network Software Platform ezIHM3.0" realized the model of "One Network for One City", enabling managing personnel to "sort out smoothly, see clearly, calculate accurately and manage precisely". By applying "absorption heat pumps for substantial temperature differentials with full operating conditions (全工況大溫差吸收式熱泵)" at the terminals of urban heating network, it could reduce temperature of the heating network to 20 centigrade, which greatly improved the heating network transmission capacity and achieved greater economic benefits. The "Magnetic suspension direct-expansion air-conditioning unit (磁懸浮直膨式空調機組)", on the other hand, achieved "All in One" central air-conditioning system by aiming at large spaces such as subway stations, which greatly reduced space occupation and operation maintenance, achieving a leap of central air-conditioning systems from engineered to productization.

In terms of business development, the segment expanded its smart heating network project in locations such as Taiyuan, Baoding and Xinxiang during the period, while cooperating with Shanghai Volkswagen to conduct optimization and transformation of the cooling station in its energy center and commencing cooperation between the Group and automobile companies. The EMC model has always been an important driver for the segment to increase profit margins and achieve sustainable development. After the bidding process of various projects were postponed for a period of time, the Group successfully signed the EMC project of smart-energy-saving reconstruction of the Shaanxi Shenmu Heat Network (陝西神木智慧熱網節能改造EMC項目) in mid-year. More EMC projects are expected to be signed in the second half of the year to provide support for the profit margin of the segment.

OUTLOOK

2019 will be a tough year for the Group but also a year of breaking the bottle-neck and rebirth. Under a challenging environment, the Group needs to optimize the systems, enhance its synergy, be imperturbable and ready to move further ahead.

Technological research, development and innovation have always been the source of the Group's growth. Under the current uncertain macroeconomic environment, the Group will continue to maintain its development strategy around "Intelligence + Energy Saving", leveraging on its competitive advantages and strive to promote the deep integration of industry, academia, research and utilization, and uphold the principle of "combination of the development of major facilities and major projects" in the technology innovation, while doing the iterative innovation continuously, opening up new markets with new technologies, creating new opportunities, serving the society with science and empowering the new urbanization.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

Under the macro environment of increasing downward pressure on the economy, the business of the Group has faced certain negative impact. The Group's revenue for 1H2019 decreased by 15.4% year-on-year with net revenue being recorded of approximately RMB665.9 million in the current period. There is a difference in performance of each business segments. The accumulation of existing projects in the smart transportation business was released during the period, which resulted in a significant increase in revenue. Due to the EMC contracts won in the last year were postponed to sign, segment revenue decreased during the current period as compared with the corresponding period last year. Impacted by macro-economic factors such as the weak economic growth, the smart building industry market contracted, which led to a decrease in revenue in the smart building and complex business segment of the Group for the current period.

Revenue by business segments

The table below sets forth the Group's revenue by business segments for the current period indicated.

For the six months ended 30 June

	2019		2018		
	Revenue (RMB'000) (Unaudited)	**% of revenue**	Revenue (RMB'000) (unaudited)	% of revenue	Comparison
Smart transportation	**230,643**	**35%**	200,987	26%	14.8%
Smart building and complex	**279,881**	**42%**	339,485	43%	-17.6%
Smart energy	**155,359**	**23%**	246,454	31%	-37.0%
Total	**665,883**	**100%**	786,926	100%	-15.4%

Smart Transportation

During the period, the Company leveraged its technology and branding strength, overcame the negative impact of the macro market environment and actively promoted the existing business, and expanded new businesses of the smart transportation segment. In 1H2019, revenue recorded approximately RMB230.6 million, as compared to approximately RMB201.0 million for 1H2018, representing a year-on-year increase of 14.8%. During the period, the Group signed and successfully carried out the phase two of Line 1 of Shijiazhuang Urban Rail Transit and the phase one of Hohhot Urban Rail Transit Line 2 which generated certain amount of revenue for the segment. Projects like Hangzhou Subway Line 5, Shenyang Subway Line 10 and Line Network Emergency Command Center had made new progress during the period, further driving the revenue growth in the smart transportation segment.

Smart Building and Complex

Revenue from the smart building and complex segment recorded a decrease of 17.6% from approximately RMB339.5 million for 1H2018 to approximately RMB279.9 million for 1H2019. During the period, the Group successfully secured intelligence projects such as the Hengqin Port and Comprehensive Transportation Hub Development Project (橫琴口岸及綜合交通樞紐開發工程), Shaanxi Broadcasting Network Industry Base Data Center Construction Project (陝西廣電網絡產業基地數據中心建設工程) and the Permanent Asia Infrastructure Investment Bank Headquarters Project (亞洲基礎設施投資銀行總部永久辦公場所工程). At the same time, the Group put in immense effort in the smart utility tunnel segment to explore new growth points, and continued to promote projects such as the "integrated joint operations platform" (一體化聯合作戰平台) in the Kashi region and the data center room and power distribution. Since the global economic downturn in 2018, infrastructure investments in China has slowed down and the development in the construction industry was limited, which led to shrinkage of business volume in the smart building and complex segment, resulting in a decline in revenue in the segment. In addition, the smart building projects for a first-tier city in Northern China made great progress in 1H2018 and generated certain revenue. This project has been substantially completed with no revenue recorded during the period. The dual impact of the macro and micro factors has resulted in a decline in revenue of the segment during the period.

Smart energy

Revenue from the smart energy segment recorded a decrease from approximately RMB246.5 million for 1H2018 to approximately RMB155.4 million for 1H2019. The decrease in revenue from the smart energy segment was mainly due to the EMC project won in 2018 were postponed to sign and the corresponding decrease in the revenue during the period. During the period, the Company continued to promote projects such as the central heating supply project in Taiyuan and the project for Fushun Mining, which contributed revenue to the segment. Moreover, the Company undertook a series of heating supply projects in Xinxiang such as Furun City, and signed the EMC project with Shenmu County Heating Co. Ltd (神木市供熱有限公司). The Company will continue to conform to the national policy of promoting the development of energy-saving industry, and strive to explore various business models to optimize revenue structure while generating revenue for the segment.

Cost of sales

Cost of sales decreased from approximately RMB605.6 million for 1H2018 to approximately RMB513.6 million, or 15.2% for 1H2019 which was attributable to the decrease in cost driven by the decrease in revenue.

Gross profit

Gross profit decreased from approximately RMB181.4 million for 1H2018 to approximately RMB152.2 million, or 16.1% for 1H2019. The gross profit margin was approximately 22.9% during the period, which was basically unchanged as compared to the corresponding period last year.

Other revenue

Other revenue increased by approximately 7.5% from approximately RMB25.3 million for 1H2018 to approximately RMB27.2 million for 1H2019. The increase in other revenue during the period was mainly due to the interest income from EMC projects of the smart energy segment entering the sharing period increased approximately RMB1.8 million.

Other net gain/(loss)

Other net gain/(loss) changed from the loss of approximately RMB1.2 million for 1H2018 to the net gain of approximately RMB1.0 million during the period. This was mainly attributable to exchange gains of approximately RMB1.0 million from foreign currency assets held by the Group during the period as compared to the exchange loss of approximately RMB1.1 million for the corresponding period last year.

Selling and distribution costs

Selling and distribution costs of the Group for 1H2019 amounted to approximately RMB46.6 million, representing a year-on-year increase of 15.3% as compared to approximately RMB40.4 million for 1H2018. During the period, the selling and distribution costs accounted for 7.0% of revenue, which increased as compared to 5.1% for the corresponding period of last year. The increase in the selling and distribution costs and the proportion of the revenue was mainly due to the distribution of previous annual awards to sales staff for 1H2019, and labour costs increased approximately RMB6.8 million during the period.

Administrative and other operating expenses

Administrative and other operating expenses increased by 16.4% from approximately RMB75.1 million for 1H2018 to approximately RMB87.4 million for 1H2019. The increase in the administrative and other operating expenses was mainly due to two factors. On the one hand, due to the provision of impairment losses for receivables past due increased approximately RMB4.4 million as compared with the corresponding period last year; and on the other hand, the distribution of previous annual awards to administrative staff has caused a further increase in administrative and other operating expenses of approximately RMB4.3 million.

Finance costs

The Group's finance costs for 1H2019 were approximately RMB6.9 million. Due to an increase in inventories payment, relatively tight funds and the average loan balance increasing year-on-year, finance costs has increased as compared to approximately RMB5.2 million for the first half of 2018.

Income tax

Income tax decreased by approximately 83.4% from approximately RMB14.5 million for 1H2018 to approximately RMB2.4 million for 1H2019. The effective tax rate decreased from 17.2% in the corresponding period of last year to 5.8% for the period. The significant decrease in the income tax expenses of the Group was mainly due to the effect of final settlement. The Group paid its 2017 income tax expense of approximately RMB4.7 million in 1H2018, and received tax rebate of approximately RMB3.3 million during the period.

Profit for the period

Profit for the period decreased by approximately 45.5% from approximately RMB69.9 million for 1H2018 to approximately RMB38.1 million for 1H2019. Net profit margin for the period decreased by approximately 3.2 percentage points from 8.9% to approximately 5.7%.

The basic earnings per share from continuing operations of the Group dropped by 46.6 percentage points year-on-year to RMB0.0495 (1H2018: RMB0.0927). The diluted earnings per share decreased by 46.6 percentage points to RMB0.0495 (1H2018: RMB0.0927).

Working capital and financial resources

The following table sets forth the Group's current assets and liabilities as at the dates indicated:

	As at 30 June 2019 (RMB'000)	As at 31 December 2018 (RMB'000)	As at 30 June 2018 (RMB'000)
Inventories	**876,117**	792,027	946,592
Trade and other receivables	**1,329,915**	1,209,329	1,470,361
Trade and other payables	**1,418,018**	1,523,416	1,513,378
Average inventories turnover days	**229**	145	205
Average trade receivables turnover days (Note)	**295**	195	263
Average trade payables turnover days (Note)	**415**	279	360

Note: The calculation of turnover days excluded other receivables, other payables and related party amounts.

The Group's inventories increased from approximately RMB792.0 million as at 31 December 2018 to approximately RMB876.1 million for 1H2019. More stocking in the Group in the first half of the year was the main reason that caused the increase in inventories during the period as compared with the beginning of the period. It is expected that with the progress of the projects in the second half of the year, the inventory scale will decrease, and the inventory change in 2018 has also indicated this trend. The inventory turnover days increased from approximately 205 days for 1H2018 to 229 days for 1H2019. This increase in turnover days was mainly due to the temporary increase in inventory scale.

The Group's trade and other receivables increased from approximately RMB1,209.3 million as at 31 December 2018 to approximately RMB1,329.9 million as at 30 June 2019. The average trade receivables turnover days increased from approximately 263 days for 1H2018 to 295 days for 1H2019. The increase in the trade receivables turnover days was mainly due to the fact that the payment collection of engineering projects were mostly concentrated in the second half of the year, resulting in lower collection rate for the current period.

The Group's trade and other payables amounted to approximately RMB1,418.0 million as at 30 June 2019, which was decreased by approximately 6.9% as compared with approximately RMB1,523.4 million as at 31 December 2018. The Group's average trade payables turnover days increased from approximately 360 days for 1H2018 to approximately 415 days for 1H2019. Since the Group adjusted the speed of payment based on the operational requirements, the trade payables turnover days increased as compared with the corresponding period last year.

Liquidity and financial resources

During the period, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2019, the Group had approximately RMB266.8 million in cash and cash equivalents, which accounted for 9.9% of the Group's net assets (31 December 2018: cash and cash equivalents of approximately RMB689.0 million).

As at 30 June 2019, the Group's indebtedness consisted of short-term bank loans of approximately RMB280.4 million with an average annual interest rate of 5.2% (31 December 2018: the average annual interest rate of short-term bank loans is 4.7%). This is a result of the Group's financial planning based on the financial costs in the market and normal working capital requirement.

As at 30 June 2019, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2019, the net debt of the Group amounted to approximately RMB13.6 million (31 December 2018: net cash of approximately RMB449.2 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 6.1% (30 June 2018: approximately 5.5%).

Pledge of assets

As at 30 June 2019, the Group had no pledge of assets.

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

The Group did not have any special purpose entities that provided financing, liquidity, market risk or credit support to it or were engaged in leasing, hedging or research and development services with it. The Group did not enter into any derivative contracts that were indexed to the shareholders of the Group (the "Shareholders") and classified as Shareholders' equity, or that were not reflected in its financial statements. Moreover, the Group did not have any retained or contingent interest in such assets that were transferred to unconsolidated entities to provide credit, liquidity or market risk support for such entities.

Employee, training and development

As at 30 June 2019, the Group had a total of 885 employees compared to the 858 employees as at 30 June 2018. Total staff costs for 1H2019 increased from approximately RMB80.0 million for 1H2018 to approximately RMB102.7 million.

As a matter of policy, the Group remunerates its employees based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis.

The Group provides regular training for its employees to keep them abreast of the Group's products, technology developments and the market conditions of its industry. The Group also offers additional training for frontline sales staff regarding each new product launch, so as to help them deliver more effective sales and promotion. In addition, the Group's senior management also attends conferences and exhibitions to broaden their knowledge of the industry.

Material acquisitions and disposals

For the six months ended 30 June 2019, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2019, the Group had no significant investment.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules throughout the six months ended 30 June 2019 as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2019.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Directors confirm that disclosure of financial information in this interim report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited consolidated interim financial statements for the six months ended 30 June 2019. The interim financial report is unaudited.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2019 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 Hong Kong Institute of Certified Public Accountants.

ISSUE OF SECURITIES

During the six months ended 30 June 2019, the Company did not conduct any fund raising activities through issue of equity securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2019.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2019, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are 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:

Long positions in the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[2]
Mr. Zhao Xiaobo	Beneficial owner	8,728,000	1.12%
Mr. Liu Tianmin	Beneficial owner	500,000[1]	0.06%
Mr. Fan Ren Da Anthony	Beneficial owner	500,000[1]	0.06%
Mr. Chia Yew Boon	Beneficial owner	500,000[1]	0.06%
Ms. Chen Hua	Beneficial owner	500,000[1]	0.06%

Notes:

(1) Shares subject to options under the Share Option Scheme.

(2) The percentage of interest in the issued share capital of the Company is calculated based on the number of issued Shares without taking into account Shares which may be allotted and issued to all grantees upon their after full exercise of the options under the Share Option Scheme.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

During the six months ended 30 June 2019, at no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' interests and short positions in shares and underlying shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2019, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner Interest in a controlled corporation	92,000,000 194,330,142	11.76% 24.84%
Resuccess Investments Limited	Beneficial owner	194,330,142	24.84%

Notes: Tsinghua Tongfang Co., Ltd (同方股份有限公司) is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.

Save as disclosed above, as at 30 June 2019, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Prior to the listing of the Company, the Group has adopted the Technovator Employee Share Option Scheme 2009 to enable our employees to build up a stake in the Group.

The Technovator Employee Share Option Scheme 2009 was approved by resolutions of the shareholders of the Company passed at an extraordinary general meeting of the Company on 11 August 2009 and amended by the resolution of the committee administering the scheme on 15 August 2011.

As at 30 June 2019, there were no outstanding options under the Technovator Employee Share Option Scheme 2009.

No options granted under the Technovator Employee Share Option Scheme 2009 were exercised, lapsed or cancelled during the six months ended 30 June 2019.

Share Option Scheme

As the terms of the Technovator Employee Share Option Scheme 2009 do not comply with the provisions in Chapter 17 of the Listing Rules, no further options may be granted under the Technovator Employee Share Option Scheme 2009 after the listing of the Company. As such, the shareholders of the Company have approved and the Company has adopted a new share option scheme ("Share Option Scheme") on 18 May 2012 ("Adoption Date") to grant options to eligible persons.

Pursuant to an ordinary resolution adopted in general meeting by the shareholders of the Company on 14 July 2014, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 14 July 2014, being the date of the extraordinary general meeting at which the said ordinary resolution was adopted, i.e. 52,152,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(b) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by the shareholders of the Company, 18 May 2012, after which no further options will be granted or offered.

Details of such share options granted under the Share Option Scheme as at 30 June 2019 are as follows:

Name	Date of Grant[1]	Exercise price per Share	Exercise period[2],[3],[4]	Number of shares issuable under the share options			
				Outstanding as at 1 January 2019	Exercised during the six months ended 30 June 2019	Lapsed during the six months ended 30 June 2019	Outstanding as at 30 June 2019
Director, chief executive or substantial shareholder							
Liu Tianmin	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Fan Ren Da Anthony	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chia Yew Boon	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chen Hua	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Other Employees							
In aggregate	15 August 2014	HK$3.83	15 August 2016–14 August 2019	4,300,000	–	–	4,300,000
	17 October 2014	HK$3.444	17 October 2015–16 October 2019	5,000,000	–	–	5,000,000
Others							
In aggregate	15 August 2014	HK$3.83	15 August 2014–14 August 2019	1,000,000	–	–	1,000,000
	17 October 2014	HK$3.444	17 October 2015–16 October 2019	1,100,000	–	–	1,100,000
Total				13,400,000	–	–	13,400,000

Notes:

(1) The closing price per Share immediately before 15 August 2014 and 17 October 2014 (the dates on which the share options were granted) was HK$3.83 and HK$3.34, respectively.

(2) Share options granted under the Share Option Scheme on 15 August 2014 (each a "Date of Grant A") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant A and conditional upon, the achievement of certain performance targets as set out in the offer letter, shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Options are to vest being hereinafter referred to as a "Vesting Date A"):

(i) For the Directors:

Vesting Date A	Percentage of options to vest
On the Date of Grant A	100% of the total number of options granted

(ii) For other employees:

Vesting Date A	Percentage of options to vest
On the date of the second anniversary of the Date of Grant A	100% of the total number of options granted

(3) Share options granted under the Share Option Scheme on 17 October 2014 (each a "Date of Grant B") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant B and conditional upon, the achievement of certain performance targets as set out in the offer letter, shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Options are to vest being hereinafter referred to as a "Vesting Date B"):

Vesting Date B	Percentage of options to vest
On the date of the first anniversary of the Date of Grant B	50% of the total number of options granted
On the date of the second anniversary of the Date of Grant B	50% of the total number of options granted

(4) As of 30 June 2019, 7,300,000 Shares were issuable under the outstanding share options granted under the Share Option Scheme on 15 August 2014. All of these share options were lapsed on 14 August 2019.

No options granted under the Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2019.

INDEPENDENT REVIEW REPORT

Review report to the board of directors of
Technovator International Limited
(Incorporated in Singapore with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 44 which comprises the consolidated statement of financial position of Technovator International Limited as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting.*

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 August 2019

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2019** **RMB'000**	2018 (Note) RMB'000
Revenue	3, 4	**665,883**	786,926
Cost of sales		**(513,641)**	(605,575)
Gross profit		**152,242**	181,351
Other revenue		**27,205**	25,250
Other net gain/(loss)		**970**	(1,157)
Selling and distribution costs		**(46,647)**	(40,442)
Administrative and other operating expenses		**(87,441)**	(75,112)
Share of gain/(loss) of associates		**1,000**	(352)
Profit from operations		**47,329**	89,538
Finance costs	5(a)	**(6,857)**	(5,183)
Profit before taxation		**40,472**	84,355
Income tax	6	**(2,365)**	(14,468)
Profit for the period		**38,107**	69,887
Profit attributable to:			
Equity shareholders of the Company		**38,703**	72,509
Non-controlling interests		**(596)**	(2,622)
Profit for the period		**38,107**	69,887
Earnings per share	7		
– Basic (RMB)		**0.0495**	0.0927
– Diluted (RMB)		**0.0495**	0.0927

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
Profit for the period	**38,107**	69,887
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**158**	1,148
Total comprehensive income for the period	**38,265**	71,035
Attributable to:		
Equity shareholders of the Company	**38,859**	73,647
Non-controlling interests	**(594)**	(2,612)
Total comprehensive income for the period	**38,265**	71,035

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	8	**270,717**	273,284
Interests in associates		**8,939**	7,939
Lease prepayment	2(c)	**–**	2,737
Intangible assets		**300,969**	290,639
Other financial assets	9	**567,398**	531,813
Deferred tax assets		**22,569**	18,505
		1,170,592	1,124,917
Current assets			
Inventories		**876,117**	792,027
Contract assets		**948,494**	795,672
Trade and other receivables	10	**1,329,915**	1,209,329
Cash and cash equivalents	11	**266,824**	689,018
		3,421,350	3,486,046
Current liabilities			
Trade and other payables	12	**1,418,018**	1,523,416
Contract liabilities		**120,949**	111,655
Loans and borrowings		**280,411**	239,820
Lease liabilities	2(d)	**4,442**	–
Income tax payable		**32,932**	41,036
		1,856,752	1,915,927
Net current assets		**1,564,598**	1,570,119
Total assets less current liabilities		**2,735,190**	2,695,036

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

At 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Lease liabilities	2(d)	**215**	–
Deferred tax liabilities		**28,623**	26,281
Deferred income		**10,671**	11,339
		39,509	37,620
NET ASSETS		**2,695,681**	2,657,416
CAPITAL AND RESERVES			
Share capital	13	**1,189,968**	1,189,968
Reserves		**1,486,943**	1,448,084
Total equity attributable to equity shareholders of the Company		**2,676,911**	2,638,052
Non-controlling interests		**18,770**	19,364
TOTAL EQUITY		**2,695,681**	2,657,416

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 19 August 2019.

Zhao Xiaobo	)	
Qin Xuzhong	)	Directors

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 13(a)	Treasury shares RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000 Note 13(b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	1,191,209	(493)	120,665	40,283	21,068	(537,048)	1,536,456	2,372,140	18,124	2,390,264
Profit for the period	–	–	–	–	–	–	72,509	72,509	(2,622)	69,887
Other comprehensive income	–	–	–	1,138	–	–	–	1,138	10	1,148
Total comprehensive income for the period	–	–	–	1,138	–	–	72,509	73,647	(2,612)	71,035
Purchase of own shares	–	(748)	–	–	–	–	–	(748)	–	(748)
Cancellation of shares	(1,241)	1,241	–	–	–	–	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	1,000	1,000
Forfeiture of share options	–	–	–	–	(108)	–	108	–	–	–
Balance at 30 June 2018 (Note)	1,189,968	–	120,665	41,421	20,960	(537,048)	1,609,073	2,445,039	16,512	2,461,551

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 13(a)	**Statutory reserves RMB'000**	**Translation reserve RMB'000**	**Share-based compensation reserve RMB'000**	**Other reserves RMB'000 Note 13(b)**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2019	**1,189,968**	**146,297**	**45,778**	**9,079**	**(537,048)**	**1,783,978**	**2,638,052**	**19,364**	**2,657,416**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**38,703**	**38,703**	**(596)**	**38,107**
Other comprehensive income	**-**	**-**	**156**	**-**	**-**	**-**	**156**	**2**	**158**
Total comprehensive income for the period	**-**	**-**	**156**	**-**	**-**	**38,703**	**38,859**	**(594)**	**38,265**
Balance at 30 June 2019	**1,189,968**	**146,297**	**45,934**	**9,079**	**(537,048)**	**1,822,681**	**2,676,911**	**18,770**	**2,695,681**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash used in operations		**(392,971)**	(274,981)
Income tax paid		**(14,938)**	(19,334)
Net cash used in operating activities		**(407,909)**	(294,315)
Net cash (used in)/generated from investing activities		**(45,818)**	4,272
Financing activities			
Capital element of lease rentals paid		**(2,426)**	–
Interest element of lease rentals paid		**(138)**	–
Proceeds from loans and borrowings		**195,275**	90,521
Purchase of own shares		**–**	(748)
Repayment of loans and borrowings		**(154,684)**	(93,500)
Other cash flows arising from financing activities		**781**	(12,543)
Net cash generated from/(used in) financing activities		**38,808**	(16,270)
Net decrease in cash and cash equivalents		**(414,919)**	(306,313)
Cash and cash equivalents at 1 January		**671,405**	520,854
Effect of foreign exchange rates changes		**363**	3,421
Cash and cash equivalents at 30 June	11	**256,849**	217,962

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG's independent review report to the Board of Directors is included in the interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised any cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

The transition to HKFRS16 has no material impact on retained earnings at 1 January 2019.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policies (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 8.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component as a single lease component for all leases.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to the income statement in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

The Group has assessed the impact of adoption of HKFRS 16 on lessor accounting and considers there is no significant impact on the Group's interim financial report.

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.00%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 15(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	19,084
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(11,753)
	7,331
Less: total future interest expenses	(268)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	7,063
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	7,063

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Re-classification of lease prepayment RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Property, plant and equipment	273,284	7,063	2,737	283,084
Lease prepayment	2,737	–	(2,737)	–
Total non-current assets	1,124,917	7,063	–	1,131,980
Lease liabilities (current)	–	5,415	–	5,415
Current liabilities	1,915,927	5,415	–	1,921,342
Net current assets	1,570,119	(5,415)	–	1,564,704
Total assets less current liabilities	2,695,036	1,648	–	2,696,684
Lease liabilities (non-current)	–	1,648	–	1,648
Total non-current liabilities	37,620	1,648	–	39,268
Net assets	2,657,416	–	–	2,657,416

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Leasehold land held for own use	**2,682**	**2,737**
Properties leased for own use	**4,610**	**7,063**
	7,292	**9,800**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	4,442	4,569	5,415	5,567
After 1 year but within 2 years	215	218	1,648	1,764
	4,657	4,787	7,063	7,331
Less: total future interest expenses		(130)		(268)
Present value of lease liabilities		4,657		7,063

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	47,329	2,459	(2,564)	47,224	89,538
Finance costs	(6,857)	138	–	(6,719)	(5,183)
Profit before taxation	40,472	2,597	(2,564)	40,505	84,355
Profit for the period	38,107	2,597	(2,564)	38,140	69,887
Reportable segment profit (adjusted EBITDA) for the six months ended 30 June 2019 (note 4(a)) impacted by the adoption of HKFRS 16:					
– Smart transportation business	33,853	157	(150)	33,860	47,538
– Smart building and complex business	30,221	1,594	(1,589)	30,226	21,123
– Smart energy business	45,050	846	(825)	45,071	89,636
– Total	109,124	2,597	(2,564)	109,157	158,297

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (note 1 & 2) (B)	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(392.971)	(2,564)	(395,535)	(274,981)
Net cash used in operating activities	(407,909)	(2,564)	(410,473)	(294,315)
Capital element of lease rentals paid	(2,426)	2,426	–	–
Interest element of lease rentals paid	(138)	138	–	–
Net cash generated from/ (used in) financing activities	38,808	2,564	41,372	(16,270)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(Expressed in RMB unless otherwise indicated)

3 REVENUE

The Group are principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from smart transportation business	**230,643**	200,987
Revenue from smart building and complex business	**279,881**	339,485
Revenue from smart energy business	**155,359**	246,454
	665,883	786,926

4 SEGMENT REPORTING

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

Smart transportation business ("STB"): It comprises a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System (ISCS), Building Automation System (BAS) for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service.

Smart building and complex business ("SBB"): It provides integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, aimed at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of buildings.

Smart energy business ("SEB"): It comprised a series of leading technologies such as regional energy planning, integrated utilization of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilization as well as optimization and transformation of energy system. The Group possess self-owned core leading technologies (in the field of urban heating network) such as heating network & heating source monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology.

4 SEGMENT REPORTING (CONTINUED)

(a) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortization and certain allocated head office and corporate expenses/(gains). Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment sales), interest income, and impairment losses. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

4 SEGMENT REPORTING (CONTINUED)

(a) Information about reportable segments (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 are set out below:

	STB		SBB		SEB		Total	
For the six months ended	2019	2018 (Note)	2019	2018 (Note)	2019	2018 (Note)	2019	2018 (Note)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	788	33	36,065	82,474	35,168	29,190	72,021	111,697
Over time	229,855	200,954	243,816	257,011	120,191	217,264	593,862	675,229
Revenue from external customers	230,643	200,987	279,881	339,485	155,359	246,454	665,883	786,926
Inter-segment revenue	-	–	-	–	-	–	-	–
Reportable segment revenue	230,643	200,987	279,881	339,485	155,359	246,454	665,883	786,926
Reportable segment profit	33,853	47,538	30,221	21,123	45,050	89,636	109,124	158,297
Interest income	2,112	3,191	5,256	1,966	12,061	12,215	19,429	17,372
Impairment losses	(8,225)	(7,953)	(9,980)	(10,495)	(5,540)	(867)	(23,745)	(19,315)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
Profit		
Reportable segment profit	109,124	158,297
Depreciation and amortisation	(53,424)	(60,582)
Finance costs	(6,857)	(5,183)
Unallocated head office and corporate expenses	(8,371)	(8,177)
Consolidated profit before taxation	40,472	84,355

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(c) Geographic information

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Six months ended 30 June	
		2019	2018
			(Note)
		RMB'000	RMB'000
(a)	**Finance costs**		
	Interest on loans and borrowings	**6,719**	5,183
	Interest on lease liabilities	**138**	–
		6,857	5,183

		Six months ended 30 June	
		2019	2018
			(Note)
		RMB'000	RMB'000
(b)	**Other items**		
	Amortisation	**31,360**	31,572
	Depreciation		
	– owned property, plant and equipment	**19,605**	29,010
	– right-of-use assets	**2,514**	–
	Impairment losses		
	– trade and other receivables and contract assets	**23,745**	19,315
	Interest income	**(19,429)**	(17,372)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax	**4,087**	14,406
Deferred tax	**(1,722)**	62
	2,365	14,468

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2019 and 2018. No provision for Singapore income tax was made because the Company sustained tax losses for the period.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

The subsidiary of the Group established in the Cayman Islands is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2019 and 2018.

(iii) Tongfang Technovator Int (Beijing) Co., Ltd. ("Technovator Beijing") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2020.

Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2019.

7 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB38,703,000 (six months ended 30 June 2018: RMB72,509,000) and the weighted average of 782,192,189 ordinary shares (2018: 782,455,376 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB38,703,000 (six months ended 30 June 2018: RMB72,509,000) and the weighted average number of ordinary shares of 782,192,189 (2018: 782,455,376 shares).

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group did not enter into any lease agreements for use of properties, and therefore did not recognise any additions to right-of-use assets.

(b) Acquisitions

During the six months ended 30 June 2019, the Group acquired certain items of property, plant and equipment with costs of RMB9,757,000 (six months ended 30 June 2018: RMB13,075,000).

9 OTHER FINANCIAL ASSETS

As at 30 June 2019, the balance of other financial assets represents long-term trade receivables of certain construction projects which are repayable by instalments over a 2 to 10 years period.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance of doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current	**614,952**	646,054
Less than 1 month past due	**7,302**	530
More than 1 month but less than 3 months past due	**39,869**	5,217
More than 3 months but less than 12 months past due	**107,524**	120,622
More than 12 months past due	**224,392**	204,127
Trade debtors and bills receivable, net of allowance for doubtful debts	**994,039**	976,550
Other receivables	**152,033**	95,119
Financial assets measured at amortised cost	**1,146,072**	1,071,669
Deposits and prepayments	**183,843**	137,660
	1,329,915	1,209,329

Trade debtors and bills receivable are due within 1–180 days from the date of billing.

(Expressed in RMB unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deposits with banks and other financial institutions	**9,975**	17,613
Cash at bank and in hand	**256,849**	671,405
Cash and cash equivalents in the consolidated statement of financial position	**266,824**	689,018
Restricted deposit	**(9,975)**	(17,613)
Cash and cash equivalents in the consolidated cash flow statements	**256,849**	671,405

12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
By date of invoice:		
Within 3 months	**828,997**	943,864
More than 3 months but within 6 months	**56,755**	43,500
More than 6 months but within 12 months	**91,862**	73,866
More than 12 months	**264,395**	280,656
Trade creditors and bills payable	**1,242,009**	1,341,886
Other payables and accruals	**176,009**	181,530
	1,418,018	1,523,416

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2019		At 31 December 2018	
	Number of shares	**Amounts RMB'000**	Number of shares	Amounts RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**782,192,189**	**1,189,968**	782,842,189	1,191,209
Share repurchased and cancelled	**–**	**–**	(650,000)	(1,241)
At 30 June/31 December	**782,192,189**	**1,189,968**	782,192,189	1,189,968

During the year ended 31 December 2018, 650,000 shares out of total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by HK$1,518,340 (approximately RMB1,241,000 equivalent).

(b) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

(c) Dividends

The Company has not declared interim dividend attributable to the six months ended 30 June 2019 and 2018.

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018.

(Expressed in RMB unless otherwise indicated)

15 COMMITMENTS

(a) Capital commitments outstanding not provided for in the financial statements were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**113,773**	114,592

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 RMB'000
Within 1 year	14,916
After 1 year but within 5 years	4,168
	19,084

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the period, transactions with the following parties are considered as related party transactions:

Name of parties

Tsinghua Tongfang Co., Ltd. ("THTF") * (同方股份有限公司)

Tsinghua Tongfang Artificial Environment Co., Ltd. * ("Tongfang Artificial") (同方人工環境有限公司)

Liaoning Tongfang Security Technology Co., Ltd.* (遼寧同方安全技術有限公司)

Beijing Tongfang Property Management Co., Ltd. * (北京同方物業管理有限公司)

NUCTECH Co., Ltd.* (同方威視技術股份有限公司)

Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. ("Tongfang Kawasaki")* (同方節能裝備有限公司)

Tongfang Technology Park Co., Ltd.* (同方科技園有限公司)

* The official name of these entities is in Chinese. The English translation of the name is for reference only.

THTF is the controlling shareholder of the Company, incorporated in the PRC and produces financial statements available for public use. Other related parties listed above are subsidiaries of THTF.

(b) Significant related party transactions

Particulars of significant related party transactions during the six months ended 30 June 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Sales to THTF and its subsidiaries	**17,054**	16,025
Purchases from THTF and its subsidiaries	**14,925**	151
Payments for miscellaneous products and services from THTF and its subsidiaries	**13,340**	2,748
Interest expenses to THTF and Tongfang Artificial	**983**	1,456
Repayment of borrowings from Tongfang Artificial	**69,512**	–
Payments transferred by THTF to the Group	**335,632**	405,482
Payments transferred by the Group to THTF	**488,855**	434,097

Other than the above related party transactions, certain trademarks are used by the Group in the PRC licensed by THTF at nil consideration.

(Expressed in RMB unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in note 16(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

17 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.