



天津发展 控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Interim Report
2019

Contents

Corporate Information	2
Business Structure	3
Condensed Consolidated Statement of Profit or Loss	5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	48
Other Information	56
Report on Review of Condensed Consolidated Financial Statements	63

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zhiyong (*Chairman*)
Mr. Chen Yanhua (*General Manager*)
Dr. Li Xiaoguang
Mr. Zhuang Qifei
Mr. Cui Xiaofei

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Wang Zhiyong
Dr. Li Xiaoguang

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnie

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

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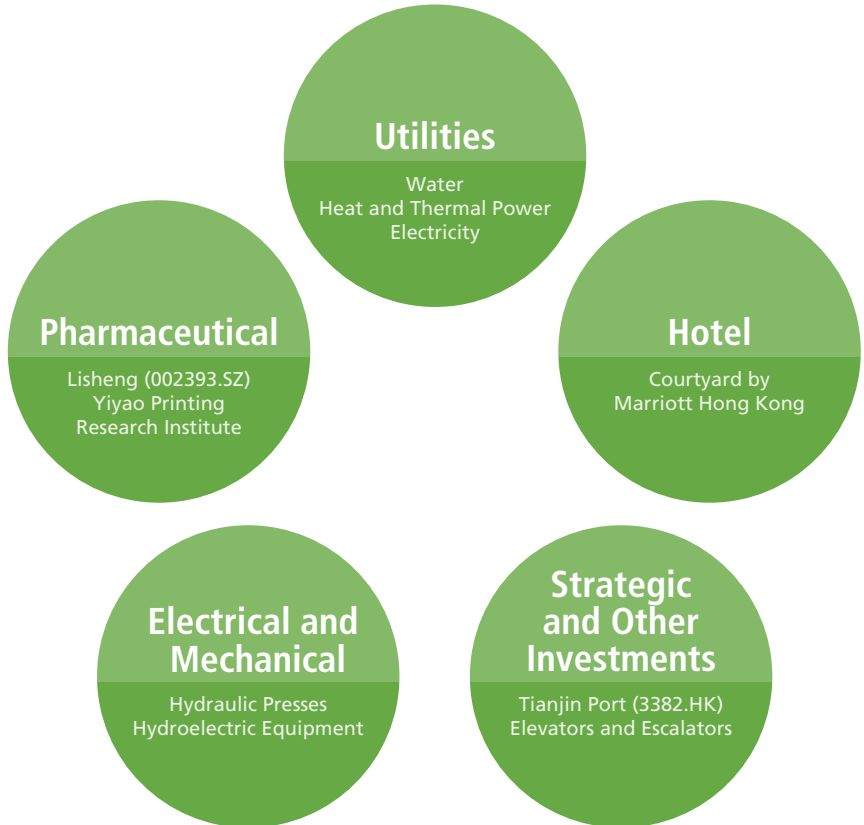
STOCK CODE

Hong Kong Stock Exchange: 882

PRINCIPAL BANKERS

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

TIANJIN DEVELOPMENT HOLDINGS LIMITED



Business Structure

UTILITIES

Company Name	Shareholding	Principal Activities
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
Tianjin TEDA Electric Power Co., Ltd.	47.09%	Distribution of electricity in TEDA

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Yiyao Printing Co., Ltd.	43.55%	Design, manufacture and printing for pharmaceutical packaging
Tianjin Lisheng Pharmaceutical Co., Ltd.	34.41%	Manufacture and sale of chemical drugs
Tianjin Institute of Pharmaceutical Research Co., Ltd.	23.45%	Research and development of new medicine technology and new products

HOTEL

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong

ELECTRICAL AND MECHANICAL

Company Name	Shareholding	Principal Activities
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.	82.74%	Manufacture and sale of hydroelectric equipment
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipment

STRATEGIC AND OTHER INVESTMENTS

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

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

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited & restated)
Continuing operations			
Revenue	4	2,304,944	2,809,315
Cost of sales		(1,411,414)	(1,714,246)
Gross profit		893,530	1,095,069
Other income	5	156,599	100,173
Other losses, net	6	(81,588)	(14,308)
Selling and distribution expenses		(476,982)	(594,932)
General and administrative expenses		(224,753)	(240,879)
Other operating expenses		(128,768)	(185,302)
Finance costs		(41,525)	(39,389)
Share of profit (loss) of			
Associates		249,984	206,095
Joint ventures		(3,367)	(4,917)
Profit before tax		343,130	321,610
Tax expense	7	(32,184)	(34,725)
Profit for the period from continuing operations	9	310,946	286,885
Electricity business	8		
Gain on disposal of a subsidiary		136,016	—
(Loss) profit for the period		(1,370)	18,702
Profit for the period from electricity business		134,646	18,702
Profit for the period		445,592	305,587

Condensed Consolidated Statement of Profit or Loss

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited & restated)
Profit for the period attributable to owners of the Company			
— from continuing operations		225,917	203,797
— from electricity business		134,723	17,647
Profit for the period attributable to owners of the Company		360,640	221,444
Profit (loss) for the period attributable to non-controlling interests			
— from continuing operations		85,029	83,088
— from electricity business		(77)	1,055
Profit for the period attributable to non-controlling interests		84,952	84,143
		445,592	305,587
Earnings per share	10	HK cents	HK cents
Basic			
— Continuing operations and electricity business		33.62	20.64
— Continuing operations		21.06	19.00
Diluted			
— Continuing operations and electricity business		33.62	20.64
— Continuing operations		21.06	19.00

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	445,592	305,587
Other comprehensive (expense) income		
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of equity instruments at fair value through other comprehensive income	(249,687)	(91,709)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income	37,921	13,538
Share of other comprehensive income (expense) of an associate		
— fair value through other comprehensive income reserve	13,981	(6,947)
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Currency translation differences		
— the Group	(13,975)	(100,590)
— associates	(22,421)	(33,988)
— joint ventures	(70)	(144)
Other comprehensive expense for the period	(234,251)	(219,840)
Total comprehensive income for the period	211,341	85,747
Attributable to:		
Owners of the Company	281,772	84,541
Non-controlling interests	(70,431)	1,206
	211,341	85,747

Condensed Consolidated Statement of Financial Position

		30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,961,483	3,334,259
Land use rights	12	623,470	367,572
Investment properties	12	190,038	190,895
Interests in associates	13	6,805,298	5,324,496
Interests in joint ventures		24,643	28,081
Intangible assets		17,694	17,854
Deposits paid for acquisition of property, plant and equipment		12,666	8,719
Deferred tax assets		45,274	44,785
Equity instruments at fair value through other comprehensive income	14	1,859,990	2,114,590
Goodwill		1,420	1,427
		12,541,976	11,432,678
Current assets			
Inventories		987,042	910,342
Amounts due from joint ventures		55,593	54,001
Amount due from an associate		—	175,117
Amount due from ultimate holding company		590	284
Amounts due from related companies		63,058	59,236
Contract assets		341,989	379,799
Trade receivables	15	636,356	544,730
Notes receivables	15	540,096	361,169
Other receivables, deposits and prepayments	15	380,148	581,721
Financial assets at fair value through profit or loss	16	288,625	463,186
Structured deposits	17	166,477	52,179
Entrusted deposits	18	1,001,136	457,160
Restricted bank balances		180,275	231,063
Time deposits with maturity over three months		2,137,467	1,888,560
Cash and cash equivalents		3,148,960	3,981,992
		9,927,812	10,140,539
Assets classified as held for sale — electricity business		—	1,428,237
		9,927,812	11,568,776
Total assets		22,469,788	23,001,454

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves		6,411,208	6,180,714
		11,547,493	11,316,999
Non-controlling interests		4,617,858	4,783,834
Total equity		16,165,351	16,100,833
LIABILITIES			
Non-current liability			
Deferred tax liabilities		262,795	301,663
Current liabilities			
Trade payables	20	924,155	987,954
Notes payables	20	110,304	97,533
Other payables and accruals		1,332,520	1,335,665
Amount due to an associate		2,593	—
Amounts due to related companies		282,864	434,446
Contract liabilities		1,218,783	1,154,721
Lease liabilities		9,105	—
Bank borrowings	19	2,089,034	2,156,606
Current tax liabilities		72,284	148,074
		6,041,642	6,314,999
Liabilities associated with assets classified as held for sale			
— electricity business		—	283,959
		6,041,642	6,598,958
Total liabilities		6,304,437	6,900,621
Total equity and liabilities		22,469,788	23,001,454
Net current assets		3,886,170	4,969,818
Total assets less current liabilities		16,428,146	16,402,496

Condensed Consolidated Statement of Changes in Equity

	Owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 January 2018 (audited)	5,136,285	1,008,147	5,403,042	11,547,474	4,945,112	16,492,586
Profit for the period	—	—	221,444	221,444	84,143	305,587
Other comprehensive expense for the period	—	(136,903)	—	(136,903)	(82,937)	(219,840)
Total comprehensive (expense) income for the period	—	(136,903)	221,444	84,541	1,206	85,747
Dividends (Note 11)	—	—	(48,811)	(48,811)	(32,412)	(81,223)
Transfer between reserves	—	24,324	(24,324)	—	—	—
Others	—	858	—	858	(891)	(33)
	—	25,182	(73,135)	(47,953)	(33,303)	(81,256)
At 30 June 2018 (unaudited)	5,136,285	896,426	5,551,351	11,584,062	4,913,015	16,497,077
At 1 January 2019 (audited)	5,136,285	372,545	5,808,169	11,316,999	4,783,834	16,100,833
Profit for the period	—	—	360,640	360,640	84,952	445,592
Other comprehensive expense for the period	—	(78,868)	—	(78,868)	(155,383)	(234,251)
Total comprehensive (expense) income for the period	—	(78,868)	360,640	281,772	(70,431)	211,341
Dividends (Note 11)	—	—	(51,278)	(51,278)	(29,732)	(81,010)
Disposal of a subsidiary (Note 8)	—	(228,189)	228,189	—	(65,813)	(65,813)
Transfer upon lapse of share options	—	(19,362)	19,362	—	—	—
Transfer between reserves	—	16,860	(16,860)	—	—	—
	—	(230,691)	179,413	(51,278)	(95,545)	(146,823)
At 30 June 2019 (unaudited)	5,136,285	62,986	6,348,222	11,547,493	4,617,858	16,165,351

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(285,040)	97,157
Net cash used in investing activities	(1,104,208)	(1,775,525)
Net cash from (used in) financing activities	22,763	(430,914)
Net decrease in cash and cash equivalents	(1,366,485)	(2,109,282)
Cash and cash equivalents at 1 January	4,483,392	5,898,551
Effect of foreign exchange rate changes	32,053	34,504
Cash and cash equivalents at 30 June	3,148,960	3,823,773

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles and land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment" or "land use rights", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 “Leases” *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 “Leases” *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the effect recognised at the date of initial application, 1 January 2019. No adjustments were recognised to the opening retained earnings at the date of initial application as the differences are not material and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised additional lease liabilities of HK\$13,311,000 and right-of-use assets of HK\$13,311,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii).

The Group reclassified leasehold land in "property, plant and equipment" of HK\$261,915,000 to right-of-use assets at 1 January 2019.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.13% per annum. No adjustments on the present value of these lease liabilities was recognised as the impact was not material.

	At 1 January 2019
	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	13,757
Less: Recognition exemption	
— lease with short remaining term	(446)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	13,311
Analysed as	
Current	8,411
Non-current	4,900
	13,311

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
		HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		13,311
Land use rights	(i)	629,487
		642,798
By class:		
Leasehold land (presented in land use rights)		629,487
Land and buildings (presented in property, plant and equipment)		13,311
		642,798

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessee (continued)

notes:

- (i) Upon application of HKFRS 16, the land use rights amounting to HK\$367,572,000 and leasehold land included in "property, plant and equipment" amounting to HK\$261,915,000 were classified as right-of-use assets. Land use rights are presented as a separate line item on the condensed consolidated statement of financial position.
- (ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits paid and right-of-use assets as the management considers the impact is not material.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits received and advance lease payments as the management considers the impact as not material.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 16 "Leases" *(continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current Assets			
Property, plant and equipment	3,334,259	(248,604)	3,085,655
Land use rights	367,572	261,915	629,487
Current Liabilities			
Lease liabilities	—	8,411	8,411
Non-current liability			
Lease liabilities	—	4,900	4,900

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Notes to the 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 2018, 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 recognised an amount of such government supplemental income for the six months ended 30 June 2019 (Note 4 (i)) based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area (the "TEDA") and with reference to the Group's operating results in this segment. While the directors of the Company are of the opinion that the government supplemental income for the six months ended 30 June 2019 is reasonable and represents the best estimate of the Group's entitlement after taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

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 (the "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.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(continued)*

(a) Utilities

This segment derives revenue from distribution of water, heat and thermal power to industrial, commercial and residential customers in the TEDA, the People's Republic of China (the "PRC"), while the result of electricity business of this segment is contributed by an associate of the Group, Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) ("TEDA Power").

(b) Pharmaceutical

This segment derives revenue from manufacture and sales of pharmaceutical products as well as design, manufacture and printing for pharmaceutical packaging in the PRC, while the result of the provision of pharmaceutical research and development services of this segment is contributed by an associate of the Group, Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute").

(c) Hotel

This segment derives revenue from operation of a hotel in Hong Kong.

(d) Electrical and mechanical

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

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port Development Holdings Limited ("Tianjin Port"), which provides port services in Tianjin.

(f) Elevators and escalators

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

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

Disaggregation of revenue by the type of goods and services

Segments	For the six months ended 30 June 2019 (unaudited)				
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
Types of goods or services					
Utilities					
Water	166,526	—	—	—	166,526
Heat and thermal power	579,705	—	—	—	579,705
Electricity	499,190	—	—	—	499,190
	1,245,421	—	—	—	1,245,421
Pharmaceutical					
Manufacture and sales of pharmaceutical products	—	976,801	—	—	976,801
Design, manufacture and printing for pharmaceutical packaging	—	74,084	—	—	74,084
	—	1,050,885	—	—	1,050,885
Hotel	—	—	62,970	—	62,970
Electrical and mechanical					
Manufacture and sales of presses and mechanical equipment	—	—	—	271,312	271,312
Manufacture and sales of hydroelectric equipment and large scale pump units	—	—	—	173,546	173,546
	—	—	—	444,858	444,858
	1,245,421	1,050,885	62,970	444,858	2,804,134
Timing of revenue recognition					
A point in time	1,245,421	1,050,885	—	271,312	2,567,618
Over time	—	—	62,970	173,546	236,516
	1,245,421	1,050,885	62,970	444,858	2,804,134

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

Disaggregation of revenue by the type of goods and services (continued)

Segments	For the six months ended 30 June 2018 (unaudited)				
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
Types of goods or services					
Utilities					
Water	176,218	—	—	—	176,218
Heat and thermal power	587,308	—	—	—	587,308
Electricity	1,269,060	—	—	—	1,269,060
	2,032,586	—	—	—	2,032,586
Pharmaceutical					
Manufacture and sales of pharmaceutical products	—	1,308,778	—	—	1,308,778
Design, manufacture and printing for pharmaceutical packaging	—	50,776	—	—	50,776
Provision of research and development service	—	34,253	—	—	34,253
Other pharmaceutical related operations	—	27,920	—	—	27,920
	—	1,421,727	—	—	1,421,727
Hotel					
	—	—	62,015	—	62,015
Electrical and mechanical					
Manufacture and sales of presses and mechanical equipment	—	—	—	424,763	424,763
Manufacture and sales of hydroelectric equipment and large scale pump units	—	—	—	137,284	137,284
	—	—	—	562,047	562,047
	2,032,586	1,421,727	62,015	562,047	4,078,375
Timing of revenue recognition					
A point in time	2,032,586	1,387,474	—	424,763	3,844,823
Over time	—	34,253	62,015	137,284	233,552
	2,032,586	1,421,727	62,015	562,047	4,078,375

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019 (unaudited)

	Continuing operations						Electricity	Total operating segments	
	Utilities	Pharmaceutical	Hotel	Electrical	Port	Elevators	Utilities- electricity		
				and mechanical	services	and escalators			
HK\$'000 (note (i))	HK\$'000	HK\$'000	HK\$'000 (note (iii))	HK\$'000	HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000	
Segment revenue									
— external customers	746,231	1,050,885	62,970	444,858	—	—	2,304,944	499,190	2,804,134
Operating profit (loss) before interest	21,169	131,049	15,793	(32,174)	—	—	135,837	(2,992)	132,845
Interest income	8,288	12,251	7	3,270	—	—	23,816	2,234	26,050
Gain on disposal of a subsidiary	—	—	—	—	—	—	—	136,016	136,016
Impairment loss on property, plant and equipment	—	—	—	(60,005)	—	—	(60,005)	—	(60,005)
Finance costs	—	(2,841)	—	(8,902)	—	—	(11,743)	—	(11,743)
Share of profit (loss) of associates	2,563	(4,887)	—	—	62,776	184,359	244,811	—	244,811
Profit (loss) before tax	32,020	135,572	15,800	(97,811)	62,776	184,359	332,716	135,258	467,974
Tax (expense) credit	—	(22,876)	—	765	—	—	(22,111)	(612)	(22,723)
Segment results									
— profit (loss) for the period	32,020	112,696	15,800	(97,046)	62,776	184,359	310,605	134,646	445,251
Non-controlling interests	(2,639)	(72,431)	—	23,390	—	(31,820)	(83,500)	77	(83,423)
Profit (loss) attributable to owners of the Company	29,381	40,265	15,800	(73,656)	62,776	152,539	227,105	134,723	361,828
Segment results									
— profit (loss) for the period includes:									
Depreciation and amortisation	22,193	36,824	7,404	32,129	—	—	98,550	17,737	116,287

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2018 (unaudited & restated)

	Continuing operations						Electricity business	Total operating segments	
	Utilities HK\$'000 (restated) (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical	Port services	Elevators and escalators	Sub-total HK\$'000 (restated)		Utilities- electricity HK\$'000 (restated)
				HK\$'000	HK\$'000	HK\$'000			
				(note (iii))					
Segment revenue									
— external customers	763,526	1,421,727	62,015	562,047	—	—	2,809,315	1,269,060	4,078,375
Operating profit (loss) before interest	19,372	143,171	14,810	(61,800)	—	—	115,553	25,933	141,486
Interest income	4,031	20,723	—	3,790	—	—	28,544	2,774	31,318
Finance costs	—	(7,235)	—	(7,630)	—	—	(14,865)	—	(14,865)
Share of (loss) profit of associates	—	(1,451)	—	—	85,877	117,806	202,232	—	202,232
Profit (loss) before tax	23,403	155,208	14,810	(65,640)	85,877	117,806	331,464	28,707	360,171
Tax expense	(1,501)	(25,064)	—	(5,903)	—	—	(32,468)	(10,005)	(42,473)
Segment results									
— profit (loss) for the period	21,902	130,144	14,810	(71,543)	85,877	117,806	298,996	18,702	317,698
Non-controlling interests	(1,980)	(71,813)	—	12,607	—	(20,333)	(81,519)	(1,055)	(82,574)
Profit (loss) attributable to owners of the Company	19,922	58,331	14,810	(58,936)	85,877	97,473	217,477	17,647	235,124
Segment results									
— profit (loss) for the period includes:									
Depreciation and amortisation	32,188	57,001	7,975	34,758	—	—	131,922	26,747	158,669

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reconciliation of profit for the period		
Total reportable segments	445,251	317,698
Corporate and others (note (ii))	341	(12,111)
Profit for the period	445,592	305,587

notes:

- (i) Revenue from supply of water, heat and thermal power amounted to HK\$166,526,000 and HK\$579,705,000 respectively (six months ended 30 June 2018: HK\$176,218,000 and HK\$587,308,000 respectively).

The above revenue included government supplemental income of HK\$90,173,000 (six months ended 30 June 2018: HK\$69,064,000).

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

- (iii) For the purposes of impairment testing, non-current assets including property, plant and equipment, land use rights and goodwill have been allocated to the respective cash-generating units ("CGUs"), which operate under the electrical and mechanical segment. The basis of the recoverable amount of the respective CGUs and their major underlying assumptions are summarised below:

As at 30 June 2019, the recoverable amount of the respective CGUs which is the higher of value in use and fair value less costs of disposal, was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets provided by the management for the coming five years and discount rate ranging from 9% to 10% (31 December 2018: 10%). The cash flows beyond the budget years are extrapolated using a steady 3% (31 December 2018: 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 respective CGUs' past performance and the management's expectations of the market development.

During the current interim period, the management of the Group recognised an impairment loss on property, plant and equipment of HK\$60,005,000 (six months ended 30 June 2018: Nil) based on such assessments to one of the CGUs under the electrical and mechanical segment.

Notes to the Condensed Consolidated Financial Statements

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Interest income	67,048	64,432
Government grants	16,988	18,900
Rental income, net of negligible outgoings	2,801	2,501
Sales of scrap materials	2,669	2,714
Dividend income from equity instruments at fair value through other comprehensive income	10,313	4,648
Sundries	56,780	6,978
	156,599	100,173

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Impairment loss on property, plant and equipment	(60,005)	—
Allowance for impairment losses		
— trade receivables	(18,953)	(16)
— contract assets	(25,816)	—
Net (loss) gain on disposal/written off of property, plant and equipment	(948)	1,362
Net gain (loss) on financial assets at fair value through profit or loss		
— listed	15	3,841
— unlisted	20,947	(15,790)
Net exchange gain (loss)	3,172	(3,705)
	(81,588)	(14,308)

Notes to the Condensed Consolidated Financial Statements

7. TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Current taxation		
PRC Enterprise Income Tax ("EIT")	32,983	36,113
Deferred taxation	(799)	(1,388)
	32,184	34,725

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the current interim period (six months ended 30 June 2018: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for certain subsidiaries which are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

8. ELECTRICITY BUSINESS

On 6 December 2018, TEDA Power and Tianjin TEDA Tsinlien Electric Power Co., Ltd. (天津泰達津聯電力有限公司) ("Tsinlien Electric"), a non-wholly owned subsidiary of the Group, entered into the absorption and merger agreement, pursuant to which TEDA Power would absorb and merge with Tsinlien Electric, and TEDA Power would be the surviving company upon completion of the merger and would take up and assume all the assets, liabilities and business operations of Tsinlien Electric, which would then be deregistered and cease to exist as a legal entity (the "Merger"). Upon the completion of the Merger, the equity interest of TEDA Power is owned as to approximately 47.09% and 52.91% by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), respectively.

At 31 December 2018, the assets and liabilities attributable to Tsinlien Electric that were expected to be merged into TEDA Power within 12 months from the end of that reporting period, were classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position.

The Merger was completed on 22 April 2019 and the Group recognised a disposal gain of HK\$136,016,000. The Group's 47.09% equity interest in TEDA Power was recognised as interest in an associate of HK\$1,284,683,000, which has been adopted equity accounting thereafter.

Notes to the Condensed Consolidated Financial Statements

8. ELECTRICITY BUSINESS *(continued)*

The net assets of Tsinlien Electric at the date of disposal were as follows:

	HK\$'000
Analysis of assets and liabilities:	
Property, plant and equipment	465,585
Land use rights	12,243
Deferred tax assets	30,950
Inventories	23
Amounts due from related parties	149,513
Trade and other receivables	516,378
Cash and cash equivalents	229,311
Trade and other payables	(99,503)
Contract liabilities	(66,394)
Dividend payable	(52,378)
Current tax liabilities	(18,706)
Net assets disposed of	1,167,022
Gain on disposal of a subsidiary:	
Net assets disposed of	(1,167,022)
Interest in an associate	1,284,683
Non-controlling interests	65,813
Capital gain tax provision	(45,870)
Transaction costs	(1,588)
Gain on disposal	136,016
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(229,311)

Notes to the Condensed Consolidated Financial Statements

8. ELECTRICITY BUSINESS *(continued)*

The result for the period from electricity business for the current and preceding interim periods are set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present electricity business as a discontinued operation.

	For the period from 1 January to 22 April 2019 HK\$'000 (unaudited)	Six months ended 30 June 2018 HK\$'000 (unaudited)
Revenue	499,190	1,269,060
Cost of sales	(497,510)	(1,172,029)
Gross profit	1,680	97,031
Other income	3,754	3,032
Other losses	—	(17)
Selling and distribution expenses	(3,732)	(13,482)
General and administrative expenses	(2,414)	(54,598)
Other operating expenses	(46)	(3,259)
(Loss) profit before tax	(758)	28,707
Tax expense	(612)	(10,005)
(Loss) profit for the period	(1,370)	18,702
Attributable to:		
Owners of the Company	(1,293)	17,647
Non-controlling interests	(77)	1,055
	(1,370)	18,702

Notes to the Condensed Consolidated Financial Statements

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Profit for the period from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	276,435	330,364
Cost of inventories recognised as an expense	934,631	1,276,612
Depreciation of property, plant and equipment	103,895	132,525
Amortisation of land use rights	4,420	5,392
Amortisation of intangible assets	583	673
Lease expenses on		
— plants, pipelines and networks	31,093	34,014
— land and buildings	4,954	5,374
Research and development costs charged to other operating expenses	110,818	170,846

10. EARNINGS PER SHARE

For continuing operations and electricity business

The calculation of the basic and diluted earnings per share from continuing operations and electricity business attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Profit attributable to owners of the Company for the purpose of basic earnings per share		
— from continuing operations and electricity business	360,640	221,444
Effect of dilutive earnings per share:		
— adjustment in relation to share options issued by an associate of the Group	—	(11)
Profit attributable to owners of the Company for the purpose of diluted earnings per share		
— from continuing operations and electricity business	360,640	221,433

Notes to the Condensed Consolidated Financial Statements

10. EARNINGS PER SHARE (continued)

For continuing operations and electricity business (continued)

Number of shares	Six months ended 30 June	
	2019 Thousand	2018 Thousand
Number of ordinary shares for the purpose of basic earnings per share	1,072,770	1,072,770
Effect of dilutive potential ordinary shares:		
Share options	—	44
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	1,072,770	1,072,814

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited & restated)
Profit attributable to owners of the Company for the purpose of basic earnings per share — from continuing operations	225,917	203,797
Effect of dilutive earnings per share:		
— adjustment in relation to share options issued by an associate of the Group	—	(11)
Profit attributable to owners of the Company for the purpose of diluted earnings per share — from continuing operations	225,917	203,786
Number of shares	Thousand	Thousand
Number of ordinary shares for the purpose of basic earnings per share	1,072,770	1,072,770
Effect of dilutive potential ordinary shares:		
Share options	—	44
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	1,072,770	1,072,814

Notes to the Condensed Consolidated Financial Statements

10. EARNINGS PER SHARE (continued)

For continuing operations (continued)

The computation of diluted earnings per share does not assume the exercise of the share options issued by the associate of the Group and the Company because the exercise price of those options was higher than the average market price for the shares of the associate of the Group and the Company, respectively, for the current interim period.

For electricity business

Basic earnings per share for the electricity business is HK12.56 cents per share (six months ended 30 June 2018: HK1.64 cents) and diluted earnings per share for the electricity business is HK12.56 cents per share (six months ended 30 June 2018: HK1.64 cents) based on the profit for the period attributable to owners of the Company from the electricity business of HK\$134,723,000 (six months ended 30 June 2018: HK\$17,647,000) and the denominators detailed above for both basic and diluted earnings per share.

11. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
— 2018 final dividend, paid		
HK4.78 cents per share		
(2017: HK4.55 cents per share)	51,278	48,811

Subsequent to the end of the reporting period, the board of directors has declared an interim dividend of HK3.26 cents per share (six months ended 30 June 2018: HK3.26 cents per share), amounting to approximately HK\$34,972,000 (six months ended 30 June 2018: HK\$34,972,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 27 September 2019.

Notes to the Condensed Consolidated Financial Statements

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

During the current interim period, the Group acquired property, plant and equipment and land use rights of HK\$36,972,000 (six months ended 30 June 2018: HK\$52,312,000) for the purpose of expanding its businesses.

In addition, neither acquisition nor disposal of investment properties was carried out by the Group during the current interim period (six months ended 30 June 2018: Nil).

For investment properties, the fair value at the end of the reporting period has been arrived at based on a valuation carried out by Vigers Appraisal and Consulting Limited, an independent valuer not connected with the Group. The valuation was determined either on the basis of capitalisation of net rental income derived from existing tenancies or by reference to comparable market transactions. There has been no change from the valuation technique used in the prior year. On this basis, the directors have determined that there was no material change in fair value of investment properties of the Group for the current interim period (six months ended 30 June 2018: Nil).

13. INTERESTS IN ASSOCIATES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
The Group's interests in associates		
— Listed shares in Hong Kong		
— Tianjin Port	3,415,384	3,386,239
— Unlisted shares in the PRC		
— Otis China	937,685	760,006
— Research Institute	836,778	855,215
— TEDA Power	1,287,203	—
— Others	328,248	323,036
	6,805,298	5,324,496
Market value of listed shares		
— Tianjin Port	1,060,408	1,073,339

Interests in Tianjin Port at the end of the reporting period included goodwill of HK\$520,729,000, net of impairment losses (31 December 2018: HK\$520,729,000, net of impairment losses).

Notes to the Condensed Consolidated Financial Statements

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Equity securities			
Listed, at market value	(i)	87,872	85,098
Unlisted	(ii)	1,772,118	2,029,492
		1,859,990	2,114,590

notes:

- (i) The listed securities mainly represent the Group's 4.69% (31 December 2018: 4.69%) equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 30 June 2019, the market value of the Group's equity interest in Binhai Investment was HK\$69,414,000 (31 December 2018: HK\$68,863,000) and the unrealised fair value gain of HK\$551,000 (six months ended 30 June 2018: unrealised fair value loss of HK\$7,512,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's 12.15% (31 December 2018: 12.15%) equity interest in Tasly Holding Group Co., Ltd. ("Tasly Holding"). Tasly Holding is a conglomerate in the PRC and is mainly holding Tasly Pharmaceutical Group Co., Ltd., which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical product in the PRC.

Other unlisted equity instruments are principally equity instruments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. The unlisted equity instruments are measured at fair value and details of fair value measurements are disclosed in Note 22.

Notes to the Condensed Consolidated Financial Statements

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

	notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade receivables — gross	(i)	750,225	640,877
Less: allowance for impairment		(113,869)	(96,147)
Trade receivables — net		636,356	544,730
Notes receivables		540,096	361,169
	(ii)	1,176,452	905,899
Other receivables, deposits and prepayments			
Entrusted loan	(iii)	34,091	34,247
Others		346,057	547,474
		380,148	581,721

notes:

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

Notes to the Condensed Consolidated Financial Statements

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

notes: *(continued)*

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 30 days	517,146	329,280
31 to 90 days	249,103	167,731
91 to 180 days	277,678	213,645
181 to 365 days	103,323	101,687
Over 1 year	29,202	93,556
	1,176,452	905,899

- (iii) The amount represents an entrusted loan to one government-related borrower in the PRC through one PRC financial institution. The amount is repayable within one year with a variable rate at RMB benchmark lending rate plus 1.2% per annum. (31 December 2018: a variable rate at RMB benchmark lending rate plus 1.2% per annum).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Investments held for trading:		
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	783	6,356
Listed funds in the PRC	10,280	10,860
Unlisted funds in the PRC	7,932	14,028
Unlisted trust funds in the PRC	264,271	426,583
	288,625	463,186

During the current interim period, the Group had net cash flow from investments held for trading of HK\$191,099,000 (six months ended 30 June 2018: HK\$139,707,000).

Notes to the Condensed Consolidated Financial Statements

17. STRUCTURED DEPOSITS

As at 30 June 2019, the Group placed in four licensed commercial banks (31 December 2018: one) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 3 months (31 December 2018: 1 month) after the end of the reporting period of HK\$166,477,000 (31 December 2018: HK\$52,179,000). The expected annual interest rate for the structured deposits is indicated at 2.30% to 4.05% (31 December 2018: 2.55% to 3.15%), however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss.

18. ENTRUSTED DEPOSITS

As at 30 June 2019, the entrusted deposits were placed with five financial institutions (31 December 2018: three financial institutions) in the PRC, with maturity from 6 to 15 months (31 December 2018: 3 to 17 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.3% to 8.5% (31 December 2018: 6.3% to 8.5%) per annum.

Deposits with maturity over one year confer the Group rights of early redemption before the maturity date. Accordingly, those deposits were classified as current assets. The entrusted deposits were accounted for as financial assets at fair value through profit or loss.

19. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK\$57,803,000 (six months ended 30 June 2018: HK\$123,001,000) and repaid bank borrowings of HK\$127,168,000 (six months ended 30 June 2018: HK\$153,728,000).

At the end of the reporting period, the bank borrowings carry effective interest rates ranging from 3.43% to 5.66% (31 December 2018: 3.43% to 6.00%) per annum.

Notes to the Condensed Consolidated Financial Statements

20. 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 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 30 days	433,200	323,639
31 to 90 days	125,338	195,592
91 to 180 days	159,055	118,582
Over 180 days	316,866	447,674
	1,034,459	1,085,487

21. CAPITAL COMMITMENTS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	138,449	136,033

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)				
Equity instruments at fair value through other comprehensive income						
— listed equity securities	87,872	85,098	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted equity securities — a private company in the PRC	1,674,383	1,908,761	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 0.97% (31 December 2018: 1.07%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
— other unlisted equity securities	97,735	120,731	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 7.48%–9.71% (31 December 2018: 6.99%–10.24%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	1,859,990	2,114,590				

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(continued)*

Financial assets	Fair value as at 30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss						
— listed equity securities	6,142	11,715	Level 1	Quoted bid price in active markets	N/A	N/A
— listed funds	10,280	10,860	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	7,932	14,028	Level 2	Redemption value quoted by the relevant investment trust with reference to the underlying assets (mainly listed securities) of the trust	N/A	N/A
— unlisted trust funds	264,271	426,583	Level 2	Redemption value quoted by banks or financial institutions with reference to the underlying assets (mainly listed securities and government bonds) of the trust fund	N/A	N/A
— structured deposits	166,477	52,179	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
— entrusted deposits	1,001,136	457,160	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	1,456,238	972,525				

notes:

- (i) As at 30 June 2019, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$16,578,000 (31 December 2018: HK\$19,117,000) and a 1% decrease in the dividend yield holding all other variables constant would increase the carrying amount of the unlisted equity securities by HK\$16,913,000 (31 December 2018: HK\$19,503,000).
- (ii) As at 30 June 2019, a 5% increase/decrease in the marketability discount holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK\$5,024,000 (31 December 2018: HK\$6,873,000).

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK\$'000
At 1 January 2018	2,547,051
Fair value change recognised in other comprehensive income	(80,868)
Exchange differences	(18,272)
At 30 June 2018	2,447,911
At 1 January 2019	2,029,492
Fair value change recognised in other comprehensive income	(252,452)
Exchange differences	(4,922)
At 30 June 2019	1,772,118

All gains and losses included in other comprehensive income relate to equity instruments at fair value through other comprehensive income held at the end of the reporting period and are reported as changes of "fair value through other comprehensive income reserve".

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed above.

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

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a non-recurring basis

The directors of the Company consider that the carrying amounts of trade receivables, notes receivables, other receivables, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade payables, notes payables, other payables, short-term bank borrowings and balances with joint ventures, an associate, ultimate holding company and related companies that are recorded at amortised cost in these condensed consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

23. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien Group Company Limited ("Tsinlien"), which owns approximately 62.81% (31 December 2018: approximately 62.81%) of the Company's shares as at 30 June 2019. The remaining approximately 37.19% (31 December 2018: approximately 37.19%) of the Company's shares are widely held.

Tsinlien is a state-owned enterprise and ultimately controlled by Tianjin Municipal People's Government of the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures", entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Tsinlien, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and Tsinlien as well as their close family members.

During the current interim period, except for the government supplemental income, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (the "other government-related entities") mainly include majority of its cash at banks and time deposits in banks and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water and sales of pharmaceutical products which constituted the majority of the Group's purchases and sales). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Notes to the Condensed Consolidated Financial Statements

23. RELATED PARTY DISCLOSURES (continued)

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

(a) Related party transactions

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense	—	1,034
Lease expenses for land	1,447	1,539
Lease expenses for plant, pipelines and networks	30,961	33,747
Provision of services	18,986	32,857
Purchase of materials	—	110
Purchase of steam for sale of heat and thermal power	504,948	501,679
Sales of goods	14,386	32,857

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

(ii) Key management compensation

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	1,272	1,272
Salaries and other emoluments	2,315	1,931
Retirement benefits scheme contribution	56	49
	3,643	3,252

During the current interim period, the emoluments of certain executive directors and senior management were borne by Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司).

(b) Related party balances

Details of the related party balances are set out in the condensed consolidated statement of financial position.

Management Discussion and Analysis

BUSINESS REVIEW

Utilities

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

TEDA, located at the centre of Bohai economic rim, is a national development zone and an ideal place for manufacturing and R&D developments. TEDA plays a leading role over the past three decades in Tianjin's economic development.

Electricity

In December 2018, pursuant to an absorption and merger agreement dated 6 December 2018 entered into between Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") and Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) ("TEDA Power"), TEDA Power absorbed and merged with Electricity Company while TEDA Power was the surviving company upon completion of the merger and assumed all the assets, liabilities and business operations of Electricity Company which was subsequently dissolved and deregistered (the "Merger"). Upon the completion of Merger on 22 April 2019, TEDA Power was owned as to approximately 47.09% and 52.91% equity interest respectively by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), and equity accounted for an associated company of the Group thereafter. As a result of the Merger, the Group recognised a gain, together with the result from Electricity Company up to the date of Merger, amounted in aggregate to approximately HK\$134.6 million, which has been disclosed and presented as profit from Electricity Business in the Group's condensed consolidated statement of profit or loss.

TEDA Power is principally engaged in supply of electricity in TEDA. It also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services. Currently, the installed transmission capacity of TEDA Power is approximately 946,000 kVA. During the period under review, TEDA Power contributed to the Group a profit of approximately HK\$2.6 million.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Utilities (continued)

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.

During the period under review, revenue from the Water Company was approximately HK\$166.5 million, a 5.5% below that of the same period last year. Profit increased from HK\$0.8 million in the six months ended 30 June 2018 to approximately HK\$6.3 million in the six months ended 30 June 2019, primarily attributable to lower of operating costs and maintenance expenses. The total quantity of water sold for the period was approximately 25,708,000 tonnes, an increase of 1.8% over the same period last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (“Heat & Power Company”) is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 462 kilometres and more than 120 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

For the six months ended 30 June 2019, revenue from the Heat & Power Company was approximately HK\$579.7 million, broadly maintained at the same level as corresponding period last year. Profit increased 9.5% to approximately HK\$23.1 million from HK\$21.1 million in the same period last year. The result was mainly attributable to increase in government supplemental income, partly offset by the increase in operating costs. The total quantity of steam sold for the period was approximately 2,077,000 tonnes, an increase of 6.5% over the same period last year.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Pharmaceutical

Pharmaceutical segment is principally engaged in the manufacture and sale of chemical drugs as well as design, manufacture and printing for pharmaceutical packaging in the PRC, and also participates in the business of research and development of new medicine technology and new products through its 35% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“Research Institute”).

For the six months ended 30 June 2019, the segment revenue was approximately HK\$1,050.9 million, a decline of 26.1% from HK\$1,421.7 million in the same period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$976.8 million, a decrease of 25.4% from HK\$1,308.7 million in the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$74.1 million, an increase of 45.9% over the corresponding period last year. Profit from pharmaceutical segment was approximately HK\$112.7 million compared to HK\$130.1 million in the same period last year. The results was primarily due to the absence of revenue of Research Institute from sale of pharmaceutical products and provision of research and development services as well as other pharmaceutical related operations following the completion of the disposal of part of equity interest in Research Institute in October 2018.

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 2019, revenue from Courtyard Hotel was approximately HK\$62.9 million, 1.5% higher than the same period last year. Profit increased by 6.8% to approximately HK\$15.8 million from HK\$14.8 million in the corresponding period last year. The average occupancy rate improved to 91.4% from 90% of same period last year, and the average room rate was also elevated.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

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 2019, revenue from electrical and mechanical segment was approximately HK\$444.9 million, a decrease of 20.8% over the same period last year. Loss from electrical and mechanical segment was approximately HK\$97 million. Stripping out the gain of HK\$51.6 million on additional compensation in connection with plant relocation and impairment loss of HK\$60 million on property, plant and equipment made related to hydroelectric equipment business as well as the credit loss allowance of approximately HK\$50.7 million, the loss would have been approximately HK\$37.9 million, compared to a loss of HK\$71.5 million in the same period last year on a like-for-like basis. The segment loss stemmed from lower revenue due to the slowdown in the sector during the period under review.

Strategic and Other Investments

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) decreased by 5.5% to approximately HK\$7,085.5 million and profit attributable to owners of Tianjin Port was approximately HK\$298.9 million, representing a decrease of 26.4% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$62.8 million, representing a decline of 26.9% over 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\$9,436.8 million, representing an increase of 10% over the corresponding period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$152.5 million, representing an increase of 56.4% over the same period in 2018.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Strategic and Other Investments (continued)

Investment in Binhai Investment Company Limited

During the period under review, the Group had 4.69% interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 2886). As at 30 June 2019, the market value of the Group’s interest in Binhai Investment was approximately HK\$69.4 million (31 December 2018: approximately HK\$68.9 million) and the unrealised fair value gain of approximately HK\$0.5 million was recognised in other comprehensive income.

Investment in Tasly Holding Group Co., Ltd.

During the period under review, the Group had 12.15% equity interest in Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) (“Tasly Holding”), a non-core passive investment in relation to the Group’s pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥有限公司). Tasly Holding is a conglomerate established under the laws of the PRC on 30 March 2000 and its principal asset includes the holding of 683,481,524 A shares in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司) (“Tasly Pharmaceutical”), representing approximately 45.18% of its total issued A shares. Tasly Pharmaceutical is principally engaged in the research and development, manufacturing and distribution of pharmaceutical products in the PRC.

At the date of initial application of the Hong Kong Financial Reporting Standard 9 — Financial Instruments on 1 January 2018, the carrying amount of investment in Tasly Holding was HK\$191.5 million and was reclassified from available-for-sale financial assets to equity instruments at fair value through other comprehensive income. As at 30 June 2019, the fair value of investment in Tasly Holding was approximately HK\$1,674.4 million (31 December 2018: HK\$1,908.8 million), accounting for approximately 7.4% of the Group’s total assets, and on that date the fair value loss of approximately HK\$229.6 million has been recognised in other comprehensive income. During the period under review, the Group’s dividend income from Tasly Holding for the year ended 31 December 2018 was approximately HK\$14.0 million (2017: HK\$21.6 million). The holding of 12.15% equity interest in Tasly Holding is not held for trading and not expected to be sold in the foreseeable future.

Management Discussion and Analysis

PROSPECT

The global economy is slowing down as international trade tensions persist. The global trade will slack up. The macroeconomy will be encountering increasing instability. In spite of the complex and uncertain external environment, the long term favourable fundamentals of China's economy remain unchanged, and it is expected that the gradual implementation of a series of policies and measures will have more positive factors for the development of China's economy at medium-high pace of growth.

With the diversification of state-owned enterprises equity and mixed-ownership reform continuing to deepen, Tianjin Municipal People's Government will through its state-owned capital operation platform give impetus to the shift in driving forces for economic development and the optimisation of industrial structure as well as the increase in operational efficiency of state-owned enterprises. To this end, the position of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings"), a controlling shareholder of the Company and also a state-owned capital management operating company under the Tianjin Municipal People's Government, and its advantages increasingly manifested itself. Having successfully launched the marketisation of management team selection and recruitment process and smoothly embarked on the research and formulation of development plan for a new era, Tsinlien Investment Holdings will continue to move forward with various reform and economic development in Tianjin City.

The Company will actively involve in the reform and promotion for a new era of high-quality development in Tianjin City by leveraging its strong financial position and the business platform of its controlling shareholder. Meanwhile, the Company will proactively implement the strategy-driven and innovation-driven development plan so as to seize the new development opportunities ahead. The Company will continue to enhance the standards of operation management and its corporate value.

Management Discussion and Analysis

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 30 June 2019, the Group's total cash on hand and total bank borrowings stood at approximately HK\$5,466.7 million and approximately HK\$2,089 million respectively (31 December 2018: approximately HK\$6,952.5 million and HK\$2,156.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$2,089 million (31 December 2018: approximately HK\$2,156.6 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 18% as at 30 June 2019 (31 December 2018: approximately 19%).

Of the total HK\$2,089 million bank borrowings outstanding as at 30 June 2019, HK\$1,798.1 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods and RMB256 million (equivalent to approximately HK\$290.9 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 30 June 2019, 86.1% (31 December 2018: 83.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 13.9% (31 December 2018: 16.7%) was denominated in Renminbi.

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

During the period under review, the Group has not entered into any derivative contracts or hedging transactions. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and shall consider hedging foreign currency exposure should the need arise.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 3,815 employees of which approximately 485 were management personnel and 1,181 were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 30 June 2019, restricted bank balances, land use rights and buildings of HK\$180.3 million, HK\$66.5 million and HK\$363.1 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

Other Information

DIRECTORS' INTERESTS

As at 30 June 2019, none of the directors or chief executive of the Company 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 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 the Securities Transactions by Directors of Listed Issuers (the "Model Code").

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Share Option Scheme") of the Company was approved by shareholders of the Company. The Share Option Scheme was effective for a period of ten years from the date of adoption and had expired on 24 May 2017. All the outstanding share options granted and yet to be exercised under the Share Option Scheme lapsed upon the expiry of the exercise period on 24 May 2019.

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

	Date of grant	Exercise price per share HK\$	Number of share options				Exercise period	
			As at 1 January 2019	During the period				As at 24 May 2019
				Exercised	Lapsed	Cancelled		
Directors								
Wang Zhiyong	16/12/2009	5.750	900,000	—	(900,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	2,800,000	—	(2,800,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	2,800,000	—	(2,800,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	2,100,000	—	(2,100,000)	—	—	20/12/2013 – 24/05/2019
Cheung Wing Yui, Edward	16/12/2009	5.750	300,000	—	(300,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	—	(100,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	—	(100,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	—	(300,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	—	(100,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	—	(100,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019
Cheng Hon Kwan	16/12/2009	5.750	300,000	—	(300,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	—	(100,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	—	(100,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019

SHARE OPTION SCHEME (continued)

	Date of grant	Exercise price per share HK\$	Number of share options				As at 24 May 2019	Exercise period
			As at 1 January 2019	During the period				
				Exercised	Lapsed	Cancelled		
Directors								
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	—	(300,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	—	(100,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	—	(100,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	—	(300,000)	—	—	03/12/2010 – 24/05/2019
	07/11/2011	3.560	100,000	—	(100,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	—	(100,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019
Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	—	(100,000)	—	—	20/12/2013 – 24/05/2019
Cui Di	07/11/2011	3.560	300,000	—	(300,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	800,000	—	(800,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	1,800,000	—	(1,800,000)	—	—	20/12/2013 – 24/05/2019
Continuous contract employees								
	16/12/2009	5.750	900,000	—	(900,000)	—	—	16/12/2009 – 24/05/2019
	07/11/2011	3.560	900,000	—	(900,000)	—	—	11/11/2011 – 24/05/2019
	19/12/2012	4.060	900,000	—	(900,000)	—	—	19/12/2012 – 24/05/2019
	20/12/2013	5.532	3,500,000	—	(3,500,000)	—	—	20/12/2013 – 24/05/2019
Total			20,800,000	—	(20,800,000)	—	—	

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.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, the following persons or corporations, other than the directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings")	1&2	Interest of controlled corporation	673,759,143	62.81%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai")	1&2	Interest of controlled corporation	673,759,143	62.81%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,759,143	62.81%
Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")	1&3	Directly beneficially interest and interest of controlled corporation	673,759,143	62.81%

notes:

- All interests stated above represent long positions.
- Tsinlien is a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings, Bohai and Tianjin Pharmaceutical are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
- As at 30 June 2019, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (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 2019 except that subsequent to the retirement of Mr. Zeng Xiaoping on 31 July 2018, the roles of the Chairman of the Board and the Chairman of the nomination committee were outstanding, which deviated from code provisions A.2 and A.5.1 of the CG Code.

Following the appointments of Mr. Wang Zhiyong as Chairman of the Board as well as Chairman of the nomination committee and Mr. Chen Yanhua as executive director and general manager on 29 August 2019, the Company has complied with the code provisions as set out in the CG Code.

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 2019.

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.

Other Information

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 2018 annual report of the Company are as follows:

- (1) Dr. Cui Di has resigned as executive director and deputy general manager and ceased to be an authorised representative of the Company with effect from 29 August 2019.
- (2) Dr. Yang Chuan has resigned as executive director of the Company with effect from 29 August 2019.
- (3) Mr. Wang Zhiyong has been appointed as Chairman of the Board and Chairman of the nomination committee of the Company with effect from 29 August 2019.
- (4) Mr. Chen Yanhua has been appointed as executive director and general manager of the Company with effect from 29 August 2019.
- (5) Dr. Li Xiaoguang has been appointed as executive director and deputy general manager and an authorised representative of the Company with effect from 29 August 2019.
- (6) Mr. Zhuang Qifei has been appointed as executive director and deputy general manager of the Company with effect from 29 August 2019.
- (7) Mr. Cui Xiaofei has been appointed as executive director and deputy general manager of the Company with effect from 29 August 2019.
- (8) Dr. Chan Ching Har, Eliza has been appointed as senior advisor of Deloitte.
- (9) Ms. Ng Yi Kum, Estella has been appointed as independent non-executive director of CT Vision (International) Holdings Limited (formerly Win Win Way Construction Holdings Ltd.) (Stock Code: 994) with effect from 16 July 2019.
- (10) Mr. Wong Shiu Hoi, Peter has been appointed as independent non-executive director of Tai Hing Group Holdings Limited (Stock Code: 6811) with effect from 22 May 2019.

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group's independent auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed with the management the effectiveness of the Company's risk management and internal control systems, auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

The Audit Committee is chaired by Ms. Ng Yi Kum, Estella and includes four other members, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

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

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.26 cents per share for the six months ended 30 June 2019 (30 June 2018: HK3.26 cents per share) to the shareholders whose names appear on the Company's register of members on 27 September 2019. The interim dividend will be paid on 28 October 2019.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 September 2019 (Wednesday) to 27 September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2019 (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 2019.

By Order of the Board

Wang Zhiyong

Chairman and Executive Director

Hong Kong, 29 August 2019



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

天津發展控股有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tianjin Development Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2019