



天津发展 控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Interim Report

2021

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	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	37
Other Information	44
Report on Review of Condensed Consolidated Financial Statements	49

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Cheung Wing Yui, Edward

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. Zhang Bingjun
Dr. Li Xiaoguang

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

Suites 7-13, 36th Floor
China Merchants Tower
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SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

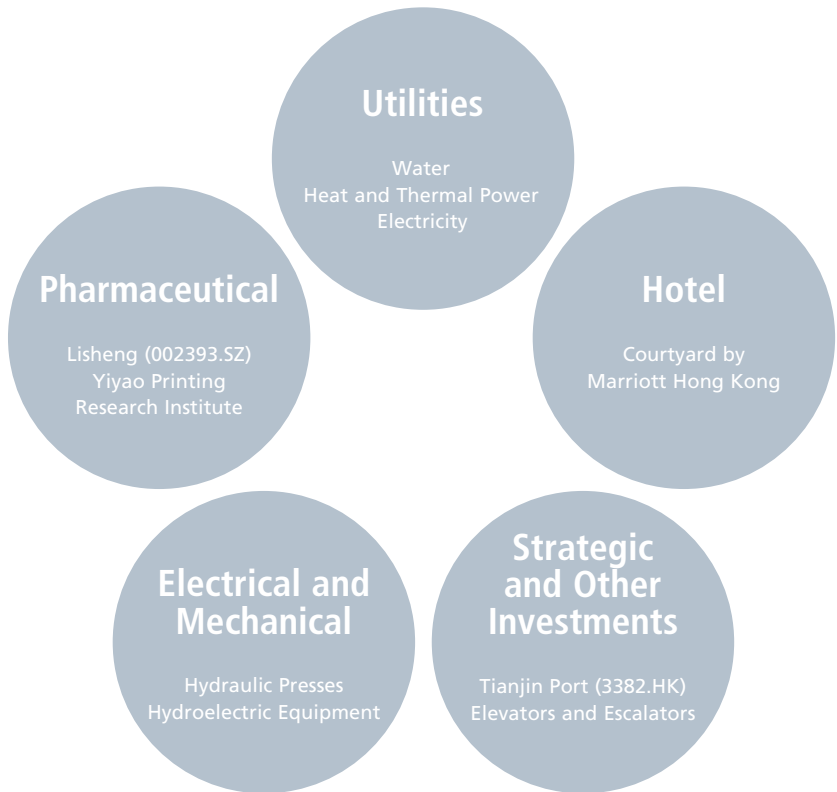
STOCK CODE

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	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited & restated)
Revenue	4	2,015,603	1,701,403
Cost of sales		(1,443,815)	(1,167,939)
Gross profit		571,788	533,464
Other income	5	175,485	143,721
Other losses, net	6	(74,386)	(48,008)
Selling and distribution expenses		(255,708)	(295,479)
General and administrative expenses		(280,898)	(233,050)
Other operating expenses		(110,572)	(88,912)
Finance costs		(25,197)	(38,733)
Share of net profit of associates and joint ventures accounted for using the equity method		350,435	222,552
Profit before tax		350,947	195,555
Tax expense	7	(29,923)	(22,796)
Profit for the period	8	321,024	172,759
Attributable to:			
Owners of the Company		263,904	114,549
Non-controlling interests		57,120	58,210
		321,024	172,759
		HK cents	HK cents
Earnings per share	9		
Basic		24.60	10.68
Diluted		24.60	10.68

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit for the period	321,024	172,759
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	(62,711)	28,264
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income	14,838	(6,634)
Share of other comprehensive expense of investments accounted for using the equity method — fair value through other comprehensive income reserve	(10,307)	(5,886)
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Currency translation differences		
— the Group	28,508	(159,693)
— investments accounted for using the equity method	68,282	(114,385)
Other comprehensive income (expense) for the period	38,610	(258,334)
Total comprehensive income (expense) for the period	359,634	(85,575)
Attributable to:		
Owners of the Company	281,711	(84,131)
Non-controlling interests	77,923	(1,444)
	359,634	(85,575)

Condensed Consolidated Statement of Financial Position

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,877,572	2,879,745
Land use rights	11	626,649	627,448
Investment properties	11	240,397	237,542
Investments accounted for using the equity method	12	6,937,470	6,832,237
Intangible assets		24,869	16,345
Finance lease receivables		118,476	89,273
Deposits paid for acquisition of property, plant and equipment		1,879	7,644
Deferred tax assets		52,188	56,236
Equity instruments at fair value through other comprehensive income	13	1,749,595	1,791,755
		12,629,095	12,538,225
Current assets			
Inventories		1,173,382	1,031,580
Amounts due from investments accounted for using the equity method		266,252	12,715
Amount due from ultimate holding company		522	235
Amounts due from related companies		84,559	80,530
Contract assets		157,132	191,650
Finance lease receivables		79,482	35,567
Trade receivables	14	658,696	692,159
Notes receivables	14	472,937	594,478
Other receivables, deposits and prepayments	14	427,167	225,767
Financial assets at fair value through profit or loss	15	631,136	594,246
Structured deposits	16	84,977	119,952
Entrusted deposits	17	1,640,625	1,175,772
Restricted bank balances		152,753	140,570
Time deposits with maturity over three months		2,427,017	2,115,271
Cash and cash equivalents		3,427,477	4,330,691
		11,684,114	11,341,183
Total assets		24,313,209	23,879,408

Condensed Consolidated Statement of Financial Position

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	Notes		
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves		7,370,966	7,125,373
		12,507,251	12,261,658
Non-controlling interests		4,857,448	4,779,123
Total equity		17,364,699	17,040,781
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,035	12,386
Bank borrowings	18	1,992,917	1,990,417
Deferred tax liabilities		239,353	254,339
		2,241,305	2,257,142
Current liabilities			
Trade payables	19	1,090,665	1,123,730
Notes payables	19	313,680	282,810
Other payables and accruals		1,108,195	1,058,579
Amounts due to related companies		365,613	236,339
Contract liabilities		1,444,303	1,411,007
Lease liabilities		7,258	7,258
Bank borrowings	18	301,683	339,304
Current tax liabilities		75,808	122,458
		4,707,205	4,581,485
Total liabilities		6,948,510	6,838,627
Total equity and liabilities		24,313,209	23,879,408
Net current assets		6,976,909	6,759,698
Total assets less current liabilities		19,606,004	19,297,923

Condensed Consolidated Statement of Changes in Equity

	Owners of the Company					Total HK\$'000
	Share capital	Other reserves	Retained earnings	Sub-total	Non- controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020 (audited)	5,136,285	(167,360)	6,393,489	11,362,414	4,529,398	15,891,812
Profit for the period	—	—	114,549	114,549	58,210	172,759
Other comprehensive expense for the period	—	(198,680)	—	(198,680)	(59,654)	(258,334)
Total comprehensive (expense) income for the period	—	(198,680)	114,549	(84,131)	(1,444)	(85,575)
Dividends (Note 10)	—	—	(51,278)	(51,278)	—	(51,278)
Others	—	2,117	—	2,117	(37)	2,080
	—	2,117	(51,278)	(49,161)	(37)	(49,198)
At 30 June 2020 (unaudited)	5,136,285	(363,923)	6,456,760	11,229,122	4,527,917	15,757,039
At 1 January 2021 (audited)	5,136,285	556,201	6,569,172	12,261,658	4,779,123	17,040,781
Profit for the period	—	—	263,904	263,904	57,120	321,024
Other comprehensive income for the period	—	17,807	—	17,807	20,803	38,610
Total comprehensive income for the period	—	17,807	263,904	281,711	77,923	359,634
Dividends (Note 10)	—	—	(51,278)	(51,278)	(10,504)	(61,782)
Transfer between reserves	—	5,298	(5,298)	—	—	—
Others	—	15,160	—	15,160	10,906	26,066
	—	20,458	(56,576)	(36,118)	402	(35,716)
At 30 June 2021 (unaudited)	5,136,285	594,466	6,776,500	12,507,251	4,857,448	17,364,699

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(104,717)	395,677
Net cash (used in) from investing activities	(698,433)	455,960
Net cash used in financing activities	(96,622)	(94,383)
Net (decrease) increase in cash and cash equivalents	(899,772)	757,254
Cash and cash equivalents at 1 January	4,330,691	3,097,288
Effect of foreign exchange rate changes	(3,442)	(60,101)
Cash and cash equivalents at 30 June	3,427,477	3,794,441

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 2020 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 2020 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, as appropriate.

Other than changes in accounting policies resulting from application of 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

3. CRITICAL ACCOUNTING JUDGEMENTS

Estimates and judgements 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 2020, the judgements 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.

Notes to the Condensed Consolidated Financial Statements

3. CRITICAL ACCOUNTING JUDGEMENTS *(continued)*

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 2021 (Note 4 (i)) based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area 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 2021 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.

(a) Utilities

This segment derives revenue from distribution of water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area, the PRC, while the result of electricity business of this segment is contributed by Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) ("**TEDA Power**"), an investment accounted for using the equity method of the Group.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(continued)*

(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 Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”), an investment accounted for using the equity method of the Group.

(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 investment accounted for using the equity method 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 investment accounted for using the equity method 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 2021 (unaudited)				Total HK\$'000
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	
Types of goods or services					
Utilities					
Water	155,235	—	—	—	155,235
Heat and thermal power	636,244	—	—	—	636,244
	791,479	—	—	—	791,479
Pharmaceutical					
Manufacture and sales of pharmaceutical products	—	698,421	—	—	698,421
Design, manufacture and printing for pharmaceutical packaging	—	80,626	—	—	80,626
	—	779,047	—	—	779,047
Hotel					
	—	—	17,600	—	17,600
Electrical and mechanical					
Manufacture and sales of presses and mechanical equipment	—	—	—	238,927	238,927
Manufacture and sales of hydroelectric equipment and large scale pump units	—	—	—	188,550	188,550
	—	—	—	427,477	427,477
	791,479	779,047	17,600	427,477	2,015,603
Timing of revenue recognition					
A point in time	791,479	779,047	—	238,927	1,809,453
Over time	—	—	17,600	188,550	206,150
	791,479	779,047	17,600	427,477	2,015,603

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 2020 (unaudited & restated)				
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
Types of goods or services					
Utilities					
Water	127,226	—	—	—	127,226
Heat and thermal power	550,010	—	—	—	550,010
	677,236	—	—	—	677,236
Pharmaceutical					
Manufacture and sales of pharmaceutical products	—	667,432	—	—	667,432
Design, manufacture and printing for pharmaceutical packaging	—	70,605	—	—	70,605
	—	738,037	—	—	738,037
Hotel					
	—	—	14,366	—	14,366
Electrical and mechanical					
Manufacture and sales of presses and mechanical equipment	—	—	—	202,803	202,803
Manufacture and sales of hydroelectric equipment and large scale pump units	—	—	—	68,961	68,961
	—	—	—	271,764	271,764
	677,236	738,037	14,366	271,764	1,701,403
Timing of revenue recognition					
A point in time	677,236	738,037	—	202,803	1,618,076
Over time	—	—	14,366	68,961	83,327
	677,236	738,037	14,366	271,764	1,701,403

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021 (unaudited)

	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000 (note (iii))	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000
Segment revenue							
— external customers	791,479	779,047	17,600	427,477	—	—	2,015,603
Operating profit (loss) before interest	11,714	50,425	(13,798)	(66,292)	—	—	(17,951)
Interest income	25,304	34,695	—	2,542	—	—	62,541
Impairment loss on inventories	—	(2,324)	—	(9,511)	—	—	(11,835)
Finance costs	—	(165)	—	(7,632)	—	—	(7,797)
Share of net profit (loss) of associates and joint ventures accounted for using the equity method	23,107	(11,626)	—	—	88,777	251,578	351,836
Profit (loss) before tax	60,125	71,005	(13,798)	(80,893)	88,777	251,578	376,794
Tax expense	(66)	(16,566)	—	(4,038)	—	—	(20,670)
Segment results							
— profit (loss) for the period	60,059	54,439	(13,798)	(84,931)	88,777	251,578	356,124
Non-controlling interests	(3,323)	(42,159)	—	26,850	—	(43,422)	(62,054)
Profit (loss) attributable to owners of the Company	56,736	12,280	(13,798)	(58,081)	88,777	208,156	294,070
Segment results							
— profit (loss) for the period includes:							
Depreciation and amortisation	22,972	41,237	7,542	35,286	—	—	107,037

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020 (unaudited & restated)

	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000 (note (iii))	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000
Segment revenue							
— external customers	677,236	738,037	14,366	271,764	—	—	1,701,403
Operating profit (loss) before interest	16,330	60,809	(14,504)	(87,071)	—	—	(24,436)
Interest income	22,804	26,418	74	2,404	—	—	51,700
Impairment loss on property, plant and equipment	—	(457)	—	—	—	—	(457)
Impairment loss on intangible assets	—	(22)	—	—	—	—	(22)
Impairment loss on inventories	—	(3,240)	—	(9,312)	—	—	(12,552)
Finance costs	—	(356)	—	(6,932)	—	—	(7,288)
Share of net profit (loss) of associates and joint ventures accounted for using the equity method	12,149	(6,632)	—	—	46,152	167,796	219,465
Profit (loss) before tax	51,283	76,520	(14,430)	(100,911)	46,152	167,796	226,410
Tax credit (expense)	70	(13,634)	—	925	—	—	(12,639)
Segment results							
— profit (loss) for the period	51,353	62,886	(14,430)	(99,986)	46,152	167,796	213,771
Non-controlling interests	(3,506)	(44,368)	—	21,482	—	(28,962)	(55,354)
Profit (loss) attributable to owners of the Company							
	47,847	18,518	(14,430)	(78,504)	46,152	138,834	158,417
Segment results							
— profit (loss) for the period includes:							
Depreciation and amortisation	16,858	38,057	7,530	28,787	—	—	91,232

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(continued)*

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reconciliation of profit for the period		
Total reportable segments	356,124	213,771
Corporate and others (note (ii))	(35,100)	(41,012)
Profit for the period	321,024	172,759

notes:

- (i) Revenue from supply of water, and heat and thermal power amounted to HK\$155,235,000 and HK\$636,244,000 respectively (six months ended 30 June 2020: HK\$127,226,000 and HK\$550,010,000 respectively).

The above revenue included government supplemental income of HK\$93,619,000 (six months ended 30 June 2020: HK\$93,520,000).

- (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.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(continued)*

notes: *(continued)*

- (iii) For the purposes of impairment testing, non-current assets including property, plant and equipment and land use rights 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 were summarised below:

As at 30 June 2021, the recoverable amount of the CGU of Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) (“**Tianjin Tianduan**”) which is the higher of value in use and fair value less costs of disposal, was determined from value in use calculation based on the discounted cash flow model. 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 of 7.6% (31 December 2020: 8%). The cash flows beyond the budget years are extrapolated using a steady 2% (31 December 2020: 2.7%) 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 past performance of the CGU of Tianjin Tianduan and the management’s expectations of the market development. The cash flows projections, growth rates and discount rate have been reassessed as at 30 June 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Coronavirus pandemic may progress and evolve and volatility in financial markets. No impairment loss was recognised on non-current assets of Tianjin Tianduan based on such assessment for both periods.

The estimated recoverable amount of the non-current assets of Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) is measured at fair value less cost of disposal which is mainly based on the valuation of land and building under Level 3 hierarchy using replacement cost approach. During the current interim period, the management of the Group did not recognise any impairment loss on property, plant and equipment (six months ended 30 June 2020: Nil).

- (iv) To conform to current period’s presentation, 2020 comparative figures have been restated by re-representation of electrical and mechanical business as a continuing operation.

Notes to the Condensed Consolidated Financial Statements

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Interest income	122,946	98,857
Government grants	32,665	16,988
Rental income, net of negligible outgoings	2,812	963
Sales of scrap materials	2,081	1,369
Dividend income from equity instruments at fair value through other comprehensive income	5,452	2,096
Finance lease interest income	3,860	—
Sundries	5,669	23,448
	175,485	143,721

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Impairment loss on property, plant and equipment	—	(457)
Impairment loss on intangible assets	—	(22)
Impairment loss on inventories	(11,835)	(12,643)
(Allowance for) reversal of impairment losses		
— trade receivables	(40,110)	(23,542)
— other receivables	(5,031)	12,930
— contract assets	(30,835)	(2,890)
Net loss on disposal/written off of property, plant and equipment	(77)	(1,160)
Net gain (loss) on financial assets at fair value through profit or loss		
— listed	2,300	1,265
— unlisted	(5,433)	22,484
Decrease in fair value of investment properties	—	(9,934)
Net exchange gain (loss)	16,635	(34,039)
	(74,386)	(48,008)

Notes to the Condensed Consolidated Financial Statements

7. TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Current taxation		
PRC Enterprise Income Tax ("EIT")	26,649	27,148
Defered taxation	3,274	(4,352)
	29,923	22,796

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 2020: 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. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Profit for the period is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	252,630	232,460
Cost of inventories recognised as an expense	1,028,413	960,929
Depreciation of property, plant and equipment	110,718	97,729
Depreciation of land use rights	5,187	3,057
Amortisation of intangible assets	131	121
Short-term lease expenses on		
— plants, pipelines and networks	18,186	18,982
— land and buildings	5,379	3,857
Research and development costs charged to other operating expenses	108,470	80,322

Notes to the Condensed Consolidated Financial Statements

9. EARNINGS PER SHARE

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

Earnings	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	263,904	114,549
Number of shares	Thousand	Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	1,072,770	1,072,770

The computation of diluted earnings per share does not assume the exercise of the share options issued by an investment accounted for using the equity method of the Group because the exercise price of those options were higher than the average market price for the shares of an investment accounted for using the equity method of the Group for both interim periods.

Notes to the Condensed Consolidated Financial Statements

10. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
— 2020 final dividend, paid HK4.78 cents per share (2019: HK4.78 cents per share)	51,278	51,278

Subsequent to the end of the reporting period, the board of directors has declared an interim dividend of HK3.45 cents per share (six months ended 30 June 2020: HK3.00 cents per share), amounting to approximately HK\$37,011,000 (six months ended 30 June 2020: HK\$32,183,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 30 September 2021.

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

During the current interim period, the Group acquired property, plant and equipment and land use rights of HK\$77,557,000 (six months ended 30 June 2020: HK\$30,852,000) 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 2020: 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 2020: a decrease in fair value of HK\$9,934,000).

Notes to the Condensed Consolidated Financial Statements

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
The Group's interests in associates and joint ventures		
— Listed shares in Hong Kong		
— Tianjin Port	3,715,721	3,661,120
— Unlisted shares in the PRC		
— Otis China	874,817	864,221
— Research Institute	884,903	875,736
— TEDA Power	1,382,167	1,353,370
— Others	79,862	77,790
	6,937,470	6,832,237
Market value of listed shares		
— Tianjin Port	788,840	814,703

Interests in Tianjin Port at the end of the reporting period included goodwill of HK\$820,729,000, net of impairment losses (31 December 2020: HK\$820,729,000, net of impairment losses).

Notes to the Condensed Consolidated Financial Statements

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	notes		
Equity securities			
Listed, at market value	(i)	105,966	87,882
Unlisted	(ii)	1,643,629	1,703,873
		1,749,595	1,791,755

notes:

- (i) The listed securities mainly represent the Group's 4.07% (31 December 2020: 4.07%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.

As at 30 June 2021, the market value of the Group's equity interest in Binhai Investment was HK\$84,840,000 (31 December 2020: HK\$65,558,000) and the unrealised fair value gain of HK\$19,282,000 (six months ended 30 June 2020: unrealised fair value loss of HK\$17,079,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's investment in 12.15% (31 December 2020: 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 products in the PRC.

Other unlisted equity securities 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 through other comprehensive income and details of fair value measurements are disclosed in Note 21.

Notes to the Condensed Consolidated Financial Statements

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

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	notes		
Trade receivables — gross	(i)	887,494	880,191
Less: allowance for credit loss		(228,798)	(188,032)
Trade receivables — net		658,696	692,159
Notes receivables		472,937	594,478
	(ii)	1,131,633	1,286,637
Other receivables, deposits and prepayments		427,167	225,767

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 30 days	393,459	473,975
31 to 90 days	204,937	188,934
91 to 180 days	284,380	320,062
181 to 365 days	95,568	152,751
Over 1 year	153,289	150,915
	1,131,633	1,286,637

Notes to the Condensed Consolidated Financial Statements

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Investments held for trading:		
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	25,762	13,081
Listed funds in the PRC	18,912	18,037
Unlisted funds in Hong Kong	241,878	237,206
Unlisted funds in the PRC	106,498	104,463
Unlisted trust funds in the PRC	232,727	216,100
	631,136	594,246

During the current interim period, the Group had net cash outflow from investments held for trading of HK\$42,403,000 (six months ended 30 June 2020: net cash inflow of HK\$268,353,000).

16. STRUCTURED DEPOSITS

As at 30 June 2021, the Group placed with one licensed commercial bank (31 December 2020: two) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 6 months (31 December 2020: from 2 to 6 months) after the end of the reporting period. The expected annual interest rate for the structured deposits is indicated at 5% (31 December 2020: 1.6% to 4.4%), 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.

17. ENTRUSTED DEPOSITS

As at 30 June 2021, the entrusted deposits were placed with eight financial institutions (31 December 2020: seven financial institutions) in the PRC, with maturity from 1 to 23 months (31 December 2020: 1 to 14 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.0% to 8.7% (31 December 2020: 6.0% to 8.7%) per annum.

Contracts with maturity over one year confer the Group rights of early redemption at amortised costs, 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.

Notes to the Condensed Consolidated Financial Statements

18. BANK BORROWINGS

During the current interim period, the Group did not obtain new bank borrowings (six months ended 30 June 2020: Nil) and repaid bank borrowings of HK\$41,600,000 (six months ended 30 June 2020: HK\$90,088,000).

At the end of the reporting period, the bank borrowings carry effective interest rate at 1.95% to 5.66% (31 December 2020: 2.67% to 5.66%) per annum.

19. 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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 30 days	182,102	315,778
31 to 90 days	372,335	319,078
91 to 180 days	255,477	173,337
Over 180 days	594,431	598,347
	1,404,345	1,406,540

20. CAPITAL COMMITMENTS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	150,239	146,381

Notes to the Condensed Consolidated Financial Statements

21. 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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)				
Equity instruments at fair value through other comprehensive income						
— listed equity securities	105,966	87,882	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted equity securities — a private company in the PRC	1,540,527	1,577,191	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 0.91% (31 December 2020: 0.93%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
— other unlisted equity securities	103,102	126,682	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 9.61% — 10.26% (31 December 2020: 8.97% — 9.74%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	1,749,595	1,791,755				

Notes to the Condensed Consolidated Financial Statements

21. 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		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)				
Financial assets at fair value through profit or loss						
— listed equity securities	31,121	18,440	Level 1	Quoted bid price in active markets	N/A	N/A
— listed funds	18,912	18,037	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	348,376	341,669	Level 2	Redemption value quoted by the relevant investment fund with reference to the underlying assets (mainly listed securities) of the fund	N/A	N/A
— unlisted trust funds	232,727	216,100	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	84,977	119,952	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
— entrusted deposits	1,640,625	1,175,772	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	2,356,738	1,889,970				

Notes to the Condensed Consolidated Financial Statements

21. 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)*

notes:

- (i) As at 30 June 2021, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$15,253,000 (31 December 2020: HK\$14,790,000) 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\$15,561,000 (31 December 2020: HK\$15,089,000).
- (ii) As at 30 June 2021, 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\$4,557,000 (31 December 2020: HK\$5,787,000).

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK\$'000
At 1 January 2020	1,584,923
Addition	827
Fair value change recognised in other comprehensive income	41,596
Exchange differences	(29,835)
At 30 June 2020	1,597,511
At 1 January 2021	1,703,873
Fair value change recognised in other comprehensive income	(80,532)
Exchange differences	20,288
At 30 June 2021	1,643,629

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".

Notes to the Condensed Consolidated Financial Statements

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

Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. 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.

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, finance lease 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 investments accounted for using the equity method, 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.

The fair value of long-term bank borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments and approximate their carrying amounts.

Notes to the Condensed Consolidated Financial Statements

22. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien Group Company Limited (“**Tsinlien**”), which owns approximately 62.81% (31 December 2020: approximately 62.81%) of the Company’s shares as at 30 June 2021. The remaining approximately 37.19% (31 December 2020: 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

22. 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term lease expenses for land	120	110
Short-term lease expenses for plant, pipelines and networks	15,040	17,342
Purchase of materials	39	2,626
Purchase of steam for sale of heat and thermal power	550,920	513,477
Purchase of goods	11,535	10,773
Sales of goods	95,478	23,271

note: The related parties are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries and an investment accounted for using the equity method.

(ii) Key management compensation

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	1,113	1,206
Salaries and other emoluments	2,459	1,666
Retirement benefits scheme contribution	18	18
	3,590	2,890

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) .

Notes to the Condensed Consolidated Financial Statements

22. RELATED PARTY DISCLOSURES *(continued)*

(b) Related party balances

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

23. COMPARATIVE FIGURES

Certain 2020 comparative figures in the condensed consolidated statement of profit or loss and Notes 4, 5, 6, 7 and 8 to the condensed consolidated financial statements have been re-presented to conform to current period's presentation.

24. EVENT AFTER THE REPORTING PERIOD

On 26 August 2021, Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司), a non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with Tianjin Jinzhi State-owned Assets Capital Investment Operation Co., Ltd. (天津津智國有資本投資運營有限公司) in relation to the disposal of 78.45% equity interest in Tianjin Tianduan at a total consideration of RMB510,019,699.60 (equivalent to approximately HK\$611,534,412) (the "**Disposal**").

The Disposal is not yet completed as at the date of these condensed consolidated financial statements were authorised for issue by the board of directors of the Company. Details of the Disposal were disclosed in the Company's announcement dated 26 August 2021.

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 water, heat and thermal power as well as electricity to industrial, commercial and residential customers.

TEDA, located at the centre of Bohai economic rim and also at the intersection of Beijing-Tianjin-Hebei metropolitan regions, 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.

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\$155.2 million, an increase of 22% from HK\$127.2 million in the corresponding period last year. Profit decreased from HK\$9.8 million in the six months ended 30 June 2020 to approximately HK\$5.2 million in the six months ended 30 June 2021, primarily attributable to tariff adjustment, partially offset by the higher volumes of water sold and lower of general and administrative expenses during the period. The total quantity of water sold for the period was approximately 23,388,000 tonnes, an increase of 10.9% over the corresponding 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 2021, revenue from the Heat & Power Company was approximately HK\$636.2 million, an increase of 15.7% from HK\$550 million in the same period last year. Profit increased from HK\$29.4 million in the six months ended 30 June 2020 to approximately HK\$31.7 million in the six months ended 30 June 2021. The result was mainly attributable to higher volumes of steam sold and higher interest income, partly offset by increase in operating costs. The total quantity of steam sold for the period was approximately 2,111,000 tonnes, an increase of 5.3% over the same period last year.

Management Discussion and Analysis

Utilities (continued)

Electricity

As at 30 June 2021, the Group has 47.09% equity interest in Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“**TEDA Power**”). TEDA Power is principally engaged in supply of electricity in TEDA and 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, the revenue of TEDA Power increased by 17.4% to approximately HK\$1,179.5 million and contributed to the Group a profit of approximately HK\$23.1 million, representing an increase of 90.9% over the same period last year.

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**”).

During the period under review, the segment revenue was approximately HK\$779 million, an increase of 5.5% from HK\$738 million in the same period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$698.4 million, an increase of 4.6% from HK\$667.4 million in the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$80.6 million, an increase of 14.2% over the corresponding period last year. Profit from pharmaceutical segment was approximately HK\$54.4 million compared to HK\$62.9 million in the same period last year. The results were mainly attributable to lower operating margins from the impact of centralised drug procurement program, partly offset by higher volumes in sale of pharmaceutical products business as a result of certain key products passing the consistency evaluation and higher interest income.

During the period under review, the revenue of Research Institute decreased by 5.2% to approximately HK\$458.6 million and contributed to the Group a loss (after non-controlling interests) of approximately HK\$21.2 million, as compared with a loss of HK\$12.5 million in the corresponding period last year.

Management Discussion and Analysis

Hotel

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

For the six months ended 30 June 2021, revenue from Courtyard Hotel increased by 22.2% to approximately HK\$17.6 million. Loss decreased by 4.2% to approximately HK\$13.8 million in comparison with loss of HK\$14.4 million in the corresponding period last year. The result was mainly due to the industry remained weak as a result of ongoing border closures and stringent government restrictions. The average occupancy rate was 36.7% compared with 26.6% for the corresponding period last year, and the average room rate was declined.

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 2021, revenue from electrical and mechanical segment was approximately HK\$427.5 million, an increase of 57.3% over the same period last year. Loss from electrical and mechanical segment was approximately HK\$84.9 million in comparison with loss of HK\$100 million in the corresponding period last year. Excluding the allowance of HK\$59.4 million for trade receivables and contract assets, the loss from electrical and mechanical segment would have been approximately HK\$25.5 million. The reduction in loss was mainly attributable to higher operating margins on certain contract works completed in the hydroelectric equipment business and higher government grants received by hydraulic press business during the period.

During the period under review, Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司) (“**Tianjin Tai Kang**”), a non-wholly owned subsidiary of the Company, continues to proceed with the disposal of its entire interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) (“**Tianfa Equipment**”) and Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) (“**Tianjin Tianduan**”) by way of public listing-for-sale process to be carried out via the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC.

Management Discussion and Analysis

Electrical and Mechanical *(continued)*

On 26 August 2021, Tinajin Tai Kang entered into an equity transfer agreement with Tianjin Jinzhi State-owned Assets Capital Investment Operation Co., Ltd. (天津津智國有資本投資運營有限公司) in relation to the disposal of 78.45% equity interest in Tianjin Tianduan at a total consideration of RMB510,019,699.60 (equivalent to approximately HK\$611,534,412) (the “**Disposal**”). The Disposal is not yet completed as at the date of these condensed consolidated financial statements were authorised for issue by the board of directors of the Company. Details of the Disposal were disclosed in the Company’s announcement dated 26 August 2021.

As at the date of these condensed consolidated financial statements were authorised for issue by the board of directors of the Company, Tianjin Tai Kang has not entered into any formal agreements regarding the disposal of Tianfa Equipment. Details of which were disclosed in the Company’s announcements dated 27 March 2020. The Group will continue to take cautious view with the operating performance of hydroelectric equipment business and may consider critically the advantages in its restructuring.

Strategic and Other Investments

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited (“**Tianjin Port**”) (stock code: 3382) increased by 38.2% to approximately HK\$8,737.6 million and profit attributable to owners of Tianjin Port was approximately HK\$422.7 million, representing an increase of 92.3% over the corresponding period in 2020.

Tianjin Port contributed to the Group a profit of approximately HK\$88.8 million, representing an increase of 92.2% compared to the same 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\$13,189.5 million, representing an increase of 37.9% over the same period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$208.2 million, representing an increase of 50.1% over the corresponding period in 2020.

Management Discussion and Analysis

Strategic and Other Investments *(continued)*

Investment in Binhai Investment Company Limited

During the period under review, the Group had 4.07% interest in Binhai Investment Company Limited (“**Binhai Investment**”) (stock code: 2886). As at 30 June 2021, the market value of the Group’s interest in Binhai Investment was approximately HK\$84.8 million (31 December 2020: approximately HK\$65.6 million) and the unrealised fair value gain of approximately HK\$19.2 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. (天津力生製藥股份有限公司). 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. As at 30 June 2021, the fair value of investment in Tasly Holding was approximately HK\$1,540.5 million (31 December 2020: HK\$1,577.2 million), accounting for approximately 6.3% of the Group’s total assets, and on that date the fair value loss of approximately HK\$55.5 million has been recognised in other comprehensive income. During the period under review, the Group did not received dividend income from Tasly Holding for the year ended 31 December 2020 (2020: nil). 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 economic recovery is uneven across economies against the backdrop of ongoing evolution of the pandemic. The macroeconomy encounters increasing instability and uncertainties, and the economic outlook will become more complex and challenging. China has made progress in epidemic prevention and control measures as well as economic performance. Although the internal and external economic environment remains complicated and uncertain and there will be challenges in the short term, the long term favourable fundamentals of China's economy remain unchanged. With the implementation of a series of supportive economic policies, it is expected that the Chinese economy will continue to sustain the momentum of stable economic recovery.

The layout and industrial upgrade of state-owned capital driven by the reform of the state-owned enterprises will provide new opportunities for development. The Company will continue to promote steady business growth and accelerate the pace of business integration. Meanwhile, the Company will adhere to its discipline of prudent financial management as well as maintain adequate financial resources. We are optimistic for the future.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 30 June 2021, the Group's total cash on hand and total bank borrowings stood at approximately HK\$6,007.2 million and approximately HK\$2,294.6 million respectively (31 December 2020: approximately HK\$6,586.5 million and HK\$2,329.7 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$301.7 million (31 December 2020: approximately HK\$339.3 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 18.4% as at 30 June 2021 (31 December 2020: approximately 19%).

Of total HK\$2,294.6 million bank borrowings outstanding as at 30 June 2021, HK\$1,992.9 million were subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods and RMB251 million (equivalent to approximately HK\$301.7 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 30 June 2021, 86.9% (31 December 2020: 85.4%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 13.1% (31 December 2020: 14.6%) was denominated in Renminbi.

Management Discussion and Analysis

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK *(continued)*

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

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

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 3,313 employees of which approximately 246 were management personnel and 1,011 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 2021, restricted bank balances, land use rights and buildings of HK\$152.8 million, HK\$68.5 million and HK\$357.9 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

Other Information

DIRECTORS' INTERESTS

As at 30 June 2021, 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").

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the period ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, 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 TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("TEDA Holding")	1&2	Interest of controlled corporation	673,759,143	62.81%
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%
Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")	1&3	Direct beneficial interest and interest of controlled corporation	673,759,143	62.81%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

notes:

1. All interests stated above represent long positions.
2. Tsinlien is a direct wholly-owned subsidiary of Bohai, which in turn is a direct wholly-owned subsidiary of Tsinlien Investment Holdings and an indirect wholly-owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, Tsinlien Investment Holdings and Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
3. As at 30 June 2021, 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.

Save as disclosed above, as at 30 June 2021, 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 2021 except for the deviation from code provision E.1.2 of the CG Code, which stipulates that the chairman of the board should attend the annual general meeting. Due to other business engagements, Mr. Zhang Bingjun, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 24 June 2021. Dr. Li Xiaoguang, executive director and deputy general manager of the Company, took the chair of the annual general meeting pursuant to the articles of association of the Company.

The Board will continue to monitor and review the Company’s corporate governance practices and procedures and make necessary changes when it considers appropriate.

Other Information

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 2021.

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

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of directors of the Company subsequent to the date of the 2020 annual report of the Company are as follows:

- (1) Mr. Zhang Bingjun has resigned as non-executive director of China Bohai Bank Co., Ltd. (Stock Code: 9668) with effect from 29 March 2021.
- (2) Mr. Chen Yanhua has resigned as director and general manager of TEDA Holding with effect from 29 July 2021.
- (3) Mr. Wong Shiu Hoi, Peter has resigned as independent non-executive director of High Fashion International Limited (Stock Code: 608) and Target Insurance (Holdings) Limited (Stock Code: 6161) with effect from 4 June 2021 and 9 August 2021 respectively. He has also resigned as consultant of Halcyon Holdings Limited with effect from 1 August 2021.
- (4) Dr. Loke Yu has resigned as independent non-executive director of Zhong An Real Estate Limited (Stock Code: 672) with effect from 10 June 2021.

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 2021.

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 3 December 2019, the Company entered into a facility agreement (the "**Facility Agreement**") with a syndicate of banks as lenders (the "**Lenders**") in respect of a HK\$2,000 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 State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government ceases to maintain a majority 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 relevant 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 relevant part thereof be payable on demand.

Other Information

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.45 cents per share for the six months ended 30 June 2021 (30 June 2020: HK3.00 cents per share) to the shareholders whose names appear on the Company's register of members on 30 September 2021. The interim dividend will be paid on 29 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2021 (Tuesday) to 30 September 2021 (Thursday), 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 27 September 2021 (Monday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

By Order of the Board

Chen Yanhua

Executive Director and General Manager

Hong Kong, 30 August 2021



**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 36, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2021