天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Interim Report

2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Zhiyong *(General Manager)*
Dr. Cui Di
Dr. Yang Chuan

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. Cui Di

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

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SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

882.HK

PRINCIPAL BANKERS

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

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Utilities

Electricity
Water
Heat and Thermal Power

Pharmaceutical

Lisheng (002393.SZ)
Research Institute
Yiyao Printing

Hotel

Courtyard by
Marriott Hong Kong

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

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

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Institute of Pharmaceutical Research Co., Ltd.	67%	Research and development of new medicine technology and new products
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

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 **2018** **HK$'000** **(unaudited)**	 2017 HK$'000 (unaudited)
Revenue	4	**4,078,375**	3,247,962
Cost of sales		**(2,890,446)**	(2,498,027)
Gross profit		**1,187,929**	749,935
Other income	5	**103,205**	88,493
Other (losses) gains, net	6	**(14,325)**	56,337
Selling and distribution expenses		**(604,243)**	(272,817)
General and administrative expenses		**(295,477)**	(321,224)
Other operating expenses		**(188,561)**	(123,872)
Finance costs		**(39,389)**	(31,096)
Share of profit (loss) of			
Associates		**206,095**	239,841
Joint ventures		**(4,917)**	(4,218)
Profit before tax		**350,317**	381,379
Tax expense	7	**(44,730)**	(33,822)
Profit for the period	8	**305,587**	347,557
Attributable to:			
Owners of the Company		**221,444**	284,137
Non-controlling interests		**84,143**	63,420
		305,587	347,557
		HK cents	HK cents
Earnings per share	9		
Basic		**20.64**	26.49
Diluted		**20.64**	26.46

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**305,587**	347,557
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Change in fair value of equity instruments at fair value through other comprehensive income	**(91,709)**	—
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income	**13,538**	—
Share of other comprehensive expense of an associate	**(6,947)**	—
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences		
— the Group	**(100,590)**	269,425
— associates	**(33,988)**	114,262
— joint ventures	**(144)**	1,283
Change in fair value of available-for-sale financial assets	**—**	(21,464)
Deferred taxation on fair value change of available-for-sale financial assets	**—**	615
Share of other comprehensive income of an associate	**—**	8,426
Other comprehensive (expense) income for the period	**(219,840)**	372,547
Total comprehensive income for the period	**85,747**	720,104
Attributable to:		
Owners of the Company	**84,541**	549,802
Non-controlling interests	**1,206**	170,302
	85,747	720,104

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**4,589,209**	4,729,552
Land use rights	11	**487,037**	496,571
Investment properties	11	**176,222**	177,698
Interests in associates	12	**5,002,340**	5,013,540
Interests in joint ventures		**33,431**	38,492
Intangible assets		**79,655**	78,717
Deposits paid for acquisition of property, plant and equipment		**35,685**	21,182
Deferred tax assets		**93,320**	93,409
Available-for-sale financial assets	13	**—**	415,646
Equity instruments at fair value through other comprehensive income	13	**2,554,645**	—
Goodwill		**1,483**	1,495
		13,053,027	11,066,302
Current assets			
Inventories		**1,112,028**	586,705
Amounts due from joint ventures		**55,047**	54,634
Amount due from ultimate holding company		**524**	260
Amounts due from related companies		**53,378**	48,038
Contract assets		**395,790**	—
Amounts due from customers for contract work		**—**	572,533
Trade receivables	14	**706,912**	921,465
Notes receivables	14	**427,871**	334,108
Other receivables, deposits and prepayments	14	**427,794**	590,998
Financial assets at fair value through profit or loss	15	**231,200**	388,603
Structured deposits	16	**970,344**	—
Entrusted deposits	17	**1,022,538**	645,933
Restricted bank balances		**237,256**	94,496
Time deposits with maturity over three months		**1,782,074**	1,403,018
Cash and cash equivalents		**3,823,773**	5,898,551
		11,246,529	11,539,342
Total assets		**24,299,556**	22,605,644

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
EQUITY			
Owners of the Company			
Share capital		**5,136,285**	5,136,285
Reserves		**6,447,777**	5,840,170
		11,584,062	10,976,455
Non-controlling interests		**4,913,015**	3,770,735
Total equity		**16,497,077**	14,747,190
LIABILITIES			
Non-current liabilities			
Defined benefit obligations		**52,852**	53,650
Deferred income		**66,022**	107,826
Bank borrowings	18	**1,858,324**	1,856,616
Deferred tax liabilities		**360,803**	37,772
		2,338,001	2,055,864
Current liabilities			
Trade payables	19	**1,131,196**	1,243,866
Notes payables	19	**70,482**	77,031
Other payables and accruals		**1,763,510**	2,775,699
Amounts due to related companies		**511,702**	824,228
Contract liabilities		**1,398,023**	—
Amounts due to customers for contract work		**—**	230,432
Bank borrowings	18	**458,162**	491,879
Current tax liabilities		**131,403**	159,455
		5,464,478	5,802,590
Total liabilities		**7,802,479**	7,858,454
Total equity and liabilities		**24,299,556**	22,605,644
Net current assets		**5,782,051**	5,736,752
Total assets less current liabilities		**18,835,078**	16,803,054

Condensed Consolidated Statement of Changes in Equity

	Owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	5,136,285	(408,185)	5,176,074	9,904,174	3,473,189	13,377,363
Profit for the period	—	—	284,137	284,137	63,420	347,557
Other comprehensive income for the period	—	265,665	—	265,665	106,882	372,547
Total comprehensive income for the period	—	265,665	284,137	549,802	170,302	720,104
Dividends (Note 10)	—	—	(54,604)	(54,604)	(30,118)	(84,722)
Share-based payment expense	—	19,362	—	19,362	—	19,362
Transfer upon lapse of share options	—	(26,615)	26,615	—	—	—
Transfer between reserves	—	4,185	(4,185)	—	—	—
Others	—	501	—	501	942	1,443
	—	(2,567)	(32,174)	(34,741)	(29,176)	(63,917)
At 30 June 2017 (unaudited)	5,136,285	(145,087)	5,428,037	10,419,235	3,614,315	14,033,550
At 31 December 2017 (audited)	**5,136,285**	**324,070**	**5,516,100**	**10,976,455**	**3,770,735**	**14,747,190**
Adjustments (Note 2)	**—**	**684,077**	**(113,058)**	**571,019**	**1,174,377**	**1,745,396**
At 1 January 2018 (restated)	**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 10)	**—**	**—**	**(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**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**97,157**	144,001
Net cash used in investing activities	**(1,775,525)**	(535,438)
Net cash used in financing activities	**(430,914)**	(55,771)
Net decrease in cash and cash equivalents	**(2,109,282)**	(447,208)
Cash and cash equivalents at 1 January	**5,898,551**	4,331,164
Effect of foreign exchange rate changes	**34,504**	202,546
Cash and cash equivalents at 30 June	**3,823,773**	4,086,502

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 2017 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 2017 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for Amendments to HKFRS 12

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from sales of electricity, water, heat and thermal power
- Government supplemental income from the relevant government authority

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

- Revenue from manufacture and sales of pharmaceutical products
- Revenue from provision of pharmaceutical research and development services
- Revenue from design, manufacture and printing for pharmaceutical packaging
- Revenue from hotel operation
- Revenue from manufacture and sales of presses and mechanical equipment
- Revenue from manufacture and sales of hydroelectric equipment and large scale pump unit

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments". In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 January 2018:

	Note	Impact of adopting HKFRS 15 at 1 January 2018 HK$'000
Increase/(decrease) in retained earnings		
Remeasurement of revenue recognition in respect of sales of presses and mechanical equipment	(a)	(39,505)
Tax credit		5,926
Non-controlling interests		11,783
Impact at 1 January 2018 (restated)		**(21,796)**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000 (audited)	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000 (restated)
Current assets:					
Inventories	(a)	586,705	—	381,814	**968,519**
Contract assets	(a) & (b)	—	476,564	—	**476,564**
Amounts due from customers for contract work	(a)	572,533	(387,888)	(184,645)	**—**
Trade receivables	(a) & (b)	921,465	(88,676)	(1,530)	**831,259**
Current liabilities:					
Other payables and accruals	(c)	2,775,699	(1,003,256)	—	**1,772,443**
Contract liabilities	(a) & (c)	—	1,233,688	235,144	**1,468,832**
Amounts due to customers for contract work		230,432	(230,432)	—	**—**
Current tax liabilities	(a)	159,455	—	(5,926)	**153,529**
Equity:					
Retained earnings	(a)	5,516,100	—	(21,796)	**5,494,304**
Non-controlling interests	(a)	3,770,735	—	(11,783)	**3,758,952**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

(a) The Group's contracts with customers for manufacture and sales of presses and mechanical equipment are tailor-made based on customers' specification and do not create the assets with alternative use to the Group. However, since the Group has no enforceable right to payment for performance completed to date, hence such revenue should be recognised at a point in time rather than over time upon application of HKFRS 15.

(b) At the date of initial application, retention receivable of HK$88,676,000 arising from electrical and mechanical contracts are conditional on the fulfilment of retention period as stipulated in the contracts, and hence such balance was reclassified from trade receivables to contract assets.

(c) As at 1 January 2018, receipts in advance from customers of HK$1,003,256,000 previously included in other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Changes in accounting policies and impacts of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 *(continued)*

Impact on the condensed consolidated statement of financial position

	As reported HK$'000 (unaudited)	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets:			
Contract assets	**395,790**	(395,790)	—
Inventories	**1,112,028**	(362,673)	749,355
Amounts due from customers for contract work	**—**	500,423	500,423
Trade receivables	**706,912**	40,428	747,340
Current liabilities:			
Other payables and accruals	**1,763,510**	945,233	2,708,743
Contract liabilities	**1,398,023**	(1,398,023)	—
Amounts due to customers for contract work	**—**	219,598	219,598
Current tax liabilities	**131,403**	2,336	133,739
Equity:			
Retained earnings	**5,551,351**	8,296	5,559,647
Other reserves	**896,426**	301	896,727
Non-controlling interests	**4,913,015**	4,647	4,917,662

Impact on the condensed consolidated statement of profit or loss

	As reported HK$'000 (unaudited)	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	**4,078,375**	(41,028)	4,037,347
Cost of sales	**(2,890,446)**	16,560	(2,873,886)
Tax expense	**(44,730)**	3,670	(41,060)
Profit for the period	**305,587**	(20,798)	284,789

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments"

In the current interim period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses for financial assets and contract assets and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity instruments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity instrument in other comprehensive income if that equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Equity instruments designated as at fair value through other comprehensive income

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments as at fair value through other comprehensive income.

Equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve (included in other reserves); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity instruments, and will be transferred to retained earnings.

Dividends on these equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses) gains, net" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under expected credit loss model

The Group recognises a loss allowance for expected credit losses on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events that are possible within twelve months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime expected credit losses for trade receivables and contract assets. Assessments are made collectively based on a provision matrix with appropriate groupings with reference to the Group's historical credit loss experience. The provision matrix is also adjusted for factors including general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12-month expected credit losses, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit losses. The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under expected credit loss model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under expected credit loss model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the debt instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under expected credit loss model (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9

From available-for-sale financial assets to fair value through other comprehensive income

At the date of initial application of HKFRS 9, an amount of HK$415,646,000 was reclassified from available-for-sale financial assets to equity instruments at fair value through other comprehensive income, of which HK$307,823,000 related to unlisted equity instruments previously measured at cost less impairment under HKAS 39. The fair value gains of HK$2,239,228,000 relating to those unlisted equity instruments previously carried at cost less impairment were adjusted to equity instruments at fair value through other comprehensive income, with corresponding adjustments of HK$336,745,000, HK$684,077,000 and HK$1,218,406,000 to increase the deferred tax liabilities, fair value through other comprehensive income reserve (included in other reserves) and non-controlling interests, respectively, as at 1 January 2018. The fair value gains of HK$99,171,000 relating to those instruments previously carried at fair value continued to accumulate in fair value through other comprehensive income reserve.

Financial assets at fair value through profit or loss

At the date of initial application, as the contractual right to cash flows of entrusted deposits of HK$645,933,000 no longer represents contractual cash flows that are solely payments of principal and interest on the principal outstanding to the Group, these financial assets are required to be measured at fair value through profit or loss under HKFRS 9. No fair value adjustment relating to these entrusted deposits previously carried at amortised cost was adjusted to retained earnings as at 1 January 2018 because the carrying value under HKAS 39 was approximately equal to the fair value as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and impacts of application on HKFRS 9 "Financial Instruments" *(continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under expected credit loss model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure expected credit loss using a lifetime expected credit loss for trade receivables and contract assets. To measure the expected credit loss, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise amounts due from joint ventures, amount due from ultimate holding company, amounts due from related companies, notes receivables, other receivables, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents, are measured on 12-month expected credit loss basis and there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, additional credit loss allowance of HK$123,508,000 has been recognised against retained earnings. The additional loss allowance is charged against the trade receivables and contract assets.

	Trade receivables HK$'000	Contract assets HK$'000	Total HK$'000
Reconciliation of opening loss allowance:			
At 31 December 2017 (audited)	131,776	8,869	140,645
Amounts remeasured through opening retained earnings	105,375	18,133	123,508
At 1 January 2018 (restated)	**237,151**	**27,002**	**264,153**

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 HK$'000 (audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 HK$'000 (restated)
Non-current assets:				
Available-for-sale financial assets	415,646	—	(415,646)	**—**
Equity instruments at fair value through other comprehensive income	—	—	2,654,874	**2,654,874**
Current assets:				
Inventories	586,705	381,814	—	**968,519**
Trade receivables	921,465	(90,206)	(105,375)	**725,884**
Contract assets	—	476,564	(18,133)	**458,431**
Amounts due from customers for contract work	572,533	(572,533)	—	**—**
Equity:				
Fair value through other comprehensive income reserve (included in other reserves)	99,171	—	684,077	**783,248**
Retained earnings	5,516,100	(21,796)	(91,262)	**5,403,042**
Non-controlling interests	3,770,735	(11,783)	1,186,160	**4,945,112**
Non-current liabilities:				
Deferred tax liabilities	37,772	—	336,745	**374,517**
Current liabilities:				
Contract liabilities	—	1,468,832	—	**1,468,832**
Other payables and accruals	2,775,699	(1,003,256)	—	**1,772,443**
Amounts due to customers for contract work	230,432	(230,432)	—	**—**
Current tax liabilities	159,455	(5,926)	—	**153,529**

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 2017, 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 2018 (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 from the six months ended 30 June 2018 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 ("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.

4. SEGMENT INFORMATION *(continued)*

(a) Utilities

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

(b) Pharmaceutical

This segment derives revenue from manufacture and sales of pharmaceutical products and the provision of pharmaceutical research and development services as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

(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.

4. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue by types of goods and services

	For the six months ended 30 June 2018 (unaudited)				
Segments	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Total HK$'000
Types of goods and services					
Utilities					
Electricity	1,269,060	—	—	—	1,269,060
Water	176,218	—	—	—	176,218
Heat and thermal power	587,308	—	—	—	587,308
	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

4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018 (unaudited)

	Utilities (note (i)) HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical (note (iii)) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue							
— external customers	2,032,586	1,421,727	62,015	562,047	—	—	4,078,375
Operating profit (loss) before interest	45,305	143,171	14,810	(61,800)	—	—	141,486
Interest income	6,805	20,723	—	3,790	—	—	31,318
Finance costs	—	(7,235)	—	(7,630)	—	—	(14,865)
Share of (loss) profit of associates	—	(1,451)	—	—	85,877	117,806	202,232
Profit (loss) before tax	52,110	155,208	14,810	(65,640)	85,877	117,806	360,171
Tax expense	(11,506)	(25,064)	—	(5,903)	—	—	(42,473)
Segment results							
— profit (loss) for the period	40,604	130,144	14,810	(71,543)	85,877	117,806	317,698
Non-controlling interests	(3,035)	(71,813)	—	12,607	—	(20,333)	(82,574)
Profit (loss) attributable to owners of the Company	37,569	58,331	14,810	(58,936)	85,877	97,473	235,124
Segment results							
— profit (loss) for the period includes:							
Depreciation and amortisation	58,935	57,001	7,975	34,758	—	—	158,669

4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2017 (unaudited)

	Utilities (note (i)) HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical (note (iii)) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue							
— external customers	1,803,754	895,729	52,581	495,898	—	—	3,247,962
Operating profit (loss) before interest	46,935	80,352	7,355	(55,328)	—	—	79,314
Interest income	9,616	5,587	—	4,751	—	—	19,954
Gain on fair value change of a financial asset at fair value through profit or loss	—	49,846	—	—	—	—	49,846
Finance costs	—	(5,983)	—	(5,231)	—	—	(11,214)
Share of (loss) profit of associates	—	(409)	—	—	97,748	139,190	236,529
Profit (loss) before tax	56,551	129,393	7,355	(55,808)	97,748	139,190	374,429
Tax (expense) credit	(20,782)	(10,994)	—	385	—	—	(31,391)
Segment results							
— profit (loss) for the period	35,769	118,399	7,355	(55,423)	97,748	139,190	343,038
Non-controlling interests	(2,783)	(44,003)	—	8,334	—	(24,024)	(62,476)
Profit (loss) attributable to owners of the Company	32,986	74,396	7,355	(47,089)	97,748	115,166	280,562
Segment results							
— profit (loss) for the period includes:							
Depreciation and amortisation	43,730	53,369	8,471	36,155	—	—	141,725

4. SEGMENT INFORMATION *(continued)*

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reconciliation of profit for the period		
Total reportable segments	**317,698**	343,038
Corporate and others (note (ii))	**(12,111)**	4,519
Profit for the period	**305,587**	347,557

notes:

(i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK$1,269,060,000, HK$176,218,000 and HK$587,308,000 respectively (30 June 2017: HK$1,124,857,000, HK$171,811,000 and HK$507,086,000 respectively).

The above revenue included government supplemental income of HK$69,064,000 (30 June 2017: HK$35,530,000).

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

Given that the impairment indicators arose in this segment, the management performed an assessment on the recoverable amount of this group of CGUs during the current interim period. As at 30 June 2018, the recoverable amount of this group of CGUs was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming five years and using a discount rate of 9% (31 December 2017: range from 10% to 11%). The cash flows beyond the budget years are extrapolated using a steady 3% growth rate (31 December 2017: 3%). Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margins. Such estimation is based on the CGUs' past performance and management's expectations of the market development. No impairment loss on goodwill was recognised in the current interim period (30 June 2017: Nil) based on this assessment.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**67,206**	62,892
Government grants	**18,900**	13,970
Rental income under operating leases, net of negligible outgoings	**2,501**	1,599
Sales of scrap materials	**2,714**	918
Dividend income from available-for-sale financial assets	**—**	2,557
Dividend income from equity instruments at fair value through other comprehensive income	**4,648**	—
Sundries	**7,236**	6,557
	103,205	88,493

6. OTHER (LOSSES) GAINS, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net gain (loss) on disposal/written off of property, plant and equipment	**1,345**	(336)
Net gain (loss) on financial assets at fair value through profit or loss		
— listed	**3,841**	(4,926)
— unlisted	**(15,790)**	5,074
Allowance for trade receivables	**(16)**	(80)
Reversal of allowance for inventories	**—**	872
Net exchange (loss) gain	**(3,705)**	26,488
Gain on fair value change of a financial asset at fair value through profit or loss (Note 21)	**—**	49,846
Impairment loss on property, plant and equipment	**—**	(20,601)
	(14,325)	56,337

7. TAX EXPENSE

	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Current taxation		
PRC Enterprise Income Tax ("EIT")	**46,118**	40,807
Deferred taxation	**(1,388)**	(6,985)
	44,730	33,822

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 (30 June 2017: 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 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Profit for the period is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	**397,931**	411,691
Cost of inventories recognised as an expense	**2,352,526**	1,483,332
Depreciation	**159,054**	136,870
Amortisation of land use rights	**5,610**	4,495
Amortisation of intangible assets	**673**	7,197
Operating lease expense on		
— plants, pipelines and networks	**34,358**	66,528
— land and buildings	**5,385**	4,394
Share-based payment expense	**—**	19,362
Research and development costs charged to other operating expenses	**170,846**	108,515

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	**221,444**	284,137
Number of shares	**Thousand**	Thousand
Weighted average 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**	1,178
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	**1,072,814**	1,073,948

10. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
— 2017 final dividend, paid HK4.55 cents per share (2016: HK5.09 cents per share)	**48,811**	54,604

Subsequent to the end of the reporting period, the board of directors has declared an interim dividend of HK3.26 cents per share (30 June 2017: HK4.08 cents per share), amounting to approximately HK$34,972,000 (30 June 2017: HK$43,769,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 28 September 2018.

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$52,312,000 (30 June 2017: HK$145,926,000) 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 (30 June 2017: 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 (30 June 2017: Nil).

12. INTERESTS IN ASSOCIATES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
The Group's interests in associates		
— Listed shares in Hong Kong		
— Tianjin Port	**3,781,389**	3,791,018
— Unlisted shares in the PRC		
— Otis China	**853,745**	854,587
— Others	**367,206**	367,935
	5,002,340	5,013,540
Market value of listed shares		
— Tianjin Port	**1,228,521**	1,487,157

Interests in associates at the end of the reporting period included goodwill of HK$1,120,729,000 (31 December 2017: HK$1,120,729,000) arising from acquisition of Tianjin Port.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Equity securities			
Listed, at market value	(i)	**106,734**	107,823
Unlisted	(ii)	**2,447,911**	307,823
		2,554,645	415,646
Classified as:			
Equity instruments at fair value through other comprehensive income		**2,554,645**	—
Available-for-sale financial assets		**—**	415,646
		2,554,645	415,646

notes:

(i) The listed securities mainly represent the Group's 4.69% (31 December 2017: 4.23%) equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 30 June 2018, the market value of the Group's equity interest in Binhai Investment was HK$88,145,000 (31 December 2017: HK$85,841,000) and the unrealised fair value loss of HK$7,512,000 (30 June 2017: HK$17,367,000) was recognised in other comprehensive income.

(ii) The unlisted available-for-sale financial assets are principally equity instruments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. At the date of initial application of HKFRS 9, the unlisted equity instruments previously measured at cost less impairment under HKAS 39 are now measured at fair value.

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

	notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Trade receivables — gross	(i)	**954,523**	1,062,110
Less: allowance for impairment		**(247,611)**	(140,645)
Trade receivables — net		**706,912**	921,465
Notes receivables		**427,871**	334,108
	(ii) & (iv)	**1,134,783**	1,255,573
Other receivables, deposits and prepayments			
Entrusted loan	(iii)	**35,587**	35,885
Profit Guarantee Arrangement	(v)	**—**	118,287
Others		**392,207**	436,826
		427,794	590,998

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.

14. 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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 30 days	**768,926**	515,399
31 to 90 days	**104,721**	154,673
91 to 180 days	**54,037**	124,946
181 to 365 days	**115,687**	283,960
Over 1 year (note (iv))	**91,412**	176,595
	1,134,783	1,255,573

(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 fixed interest rate at 6% (31 December 2017: 6%) per annum.

(iv) As at 31 December 2017, the amount included retentions held by customers for contract work over one year of HK$75,012,000. As at 30 June 2018, such retention held by customers for contract work was reclassified to contract assets under HKFRS 15 as disclosed in Note 2.1.2.

(v) In December 2015, the Group completed the acquisition of 67% equity interest in Thrive Leap Limited ("Thrive Leap", together with its subsidiaries, the "Thrive Leap Group") from a wholly owned subsidiary of Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company of the Company, for a cash consideration of RMB2,315,855,000 (equivalent to HK$2,772,483,000). Pursuant to the terms of the sale and purchase agreement for the acquisition of Thrive Leap, Tsinlien and Tianjin Pharmaceutical Group Co., Ltd., a state-owned enterprise established in the PRC and the owner of Tsinlien ("Tianjin Pharmaceutical") (collectively referred as the "Vendor's Guarantors") have agreed to provide a profit guarantee to the Group in relation to the audited consolidated net profit of the Thrive Leap Group attributable to owners for the year ended 31 December 2015 and the two years ended 31 December 2017. If the audited consolidated net profit of the Thrive Leap Group attributable to owners of Thrive Leap falls short of the guaranteed profit of RMB130,000,000 for the year ended 31 December 2015 and RMB313,000,000 in aggregate for the two years ended 31 December 2017, the Vendor's Guarantors would pay an amount equal to 67% of such shortfalls to the Group (the "Profit Guarantee Arrangement") for respective period.

As at 31 December 2017, based on the actual financial performance of the Thrive Leap Group for the two years ended 31 December 2017, the audited consolidated net profit of the Thrive Leap Group attributable to owners of Thrive Leap in aggregate was RMB170,848,000 which did not meet the guaranteed profit with a shortfall amounted to RMB142,152,000. Accordingly, the Vendor's Guarantors are obliged to compensate the Group an amount of HK$118,287,000, being 67% of the shortfall, to the Group. The amount has been received in full in the current interim period.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**39,910**	54,087
Listed funds in the PRC	**32,237**	893
Unlisted funds in the PRC	**61,407**	136,236
Unlisted trust funds in the PRC	**92,287**	192,028
	231,200	388,603

During the current interim period, the Group had net cash inflow from investments held for trading of HK$139,707,000 (30 June 2017: HK$95,821,000).

16. STRUCTURED DEPOSITS

During the current interim period, the Group placed in six licensed commercial banks (30 June 2017: Nil) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 6 months after the end of the reporting period of HK$1,006,150,000 (30 June 2017: Nil). The expected annual interest rate for the structured deposits is indicated at 2.55% to 4.70%, 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 under HKFRS 9.

17. ENTRUSTED DEPOSITS

During the current interim period, the Group placed in, and withdrew from, four financial institutions (30 June 2017: seven financial institutions) based mainly in Tianjin, the PRC entrusted deposits of HK$752,768,000 and HK$356,704,000, respectively (30 June 2017: HK$757,919,000 and HK$300,848,000, respectively). The deposits with maturity from 2 to 23 months (31 December 2017: 4 to 29 months) after the end of the reporting period carry the expected rates of return ranging from 5.6% to 8.5% (31 December 2017: 5.6% to 6.9%) per annum.

17. ENTRUSTED DEPOSITS *(continued)*

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

At the date of initial application of HKFRS 9, the entrusted deposits previously classified as loans and receivables and measured at amortised cost under HKAS 39 are now classified as financial assets at fair value through profit or loss and measured at fair value.

18. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK$123,001,000 (30 June 2017: HK$168,610,000) and repaid bank borrowings of HK$153,728,000 (30 June 2017: HK$176,761,000).

At the end of the reporting period, the bank borrowings carry effective interest rates ranging from 3.57% to 6.00% (31 December 2017: 2.80% to 6.55%) 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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 30 days	**157,991**	423,581
31 to 90 days	**201,797**	190,381
91 to 180 days	**370,678**	203,238
Over 180 days	**471,212**	503,697
	1,201,678	1,320,897

20. CAPITAL COMMITMENTS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	**316,054**	385,132

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 30 June 2018 HK$'000 (unaudited)	Fair value as at 31 December 2017 HK$'000 (audited)	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets/equity instruments at fair value through other comprehensive income						
— listed equity securities	**106,734**	107,823	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted equity securities — a private company in the PRC	**2,206,688**	N/A	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 0.82% (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
— other unlisted equity securities	**241,223**	N/A	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 6.8%–9.3% (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	2,554,645	107,823				

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 30 June 2018 HK$'000 (unaudited)	Fair value as at 31 December 2017 HK$'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	**45,269**	59,446	Level 1	Quoted bid price in active markets	N/A	N/A
— listed funds	**32,237**	893	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	**61,407**	136,236	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	**92,287**	192,028	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	**970,344**	—	Level 2	Redemption value quoted by banks with reference to expected return of the underlying assets	N/A	N/A
— entrusted deposits	**1,022,538**	—	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	2,224,082	388,603				

notes:

(i) As at 30 June 2018, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK$21,950,000 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$22,394,000.

(ii) As at 30 June 2018, 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$12,077,000.

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK$'000	Profit guarantee HK$'000
At 1 January 2017	—	44,726
Fair value change recognised in profit or loss (Note 6)	—	49,846
At 30 June 2017	—	94,572
At 1 January 2018 (as restated)	**2,547,051**	**—**
Fair value change recognised in other comprehensive income	**(80,868)**	**—**
Exchange differences	**(18,272)**	**—**
At 30 June 2018	**2,447,911**	**—**

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.

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 financial assets and financial liabilities recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

22. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien, which owns approximately 62.80% (31 December 2017: approximately 62.80%) of the Company's shares as at 30 June 2018. The remaining approximately 37.20% (31 December 2017: approximately 37.20%) 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.

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:

22. RELATED PARTY DISCLOSURES *(continued)*

(a) Related party transactions

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expense	**1,034**	996
Operating lease expenses for land	**1,539**	764
Operating lease expenses for plant, pipelines and networks	**33,747**	70,817
Provision of services	**32,857**	18,180
Purchase of materials	**110**	5,141
Purchase of steam for sale	**501,679**	430,998
Sales of goods	**32,857**	35,469

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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Fees	**1,272**	1,272
Salaries and other emoluments	**1,931**	4,114
Retirement benefits scheme contribution	**49**	164
	3,252	5,550

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.

23. EVENT AFTER THE REPORTING PERIOD

On 6 August 2018, TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) ("Jinhao Pharmaceutical"), an indirect non-wholly owned subsidiary of the Company, entered into a joint cooperation agreement with an independent third party (the "Party") in relation to the disposal of part of the equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute") by Jinhao Pharmaceutical to the Party through a combination of (i) the Party, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 (equivalent to approximately HK$1,167,441,860) by way of cash contribution into Research Institute, in which, RMB33,889,796 (equivalent to approximately HK$39,406,740) will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 (equivalent to approximately HK$1,128,035,120) will be contributed towards the capital reserve of Research Institute; and (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to the Party for a consideration of RMB399,270,000 (equivalent to approximately HK$464,267,442) (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 announcements dated 29 May 2018 and 6 August 2018.

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

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

For the six months ended 30 June 2018, revenue from the Electricity Company was approximately HK$1,269 million, an increase of 12.8% over the same period last year. Profit increased by 35.5% to approximately HK$18.7 million from HK$13.8 million in the same period last year. This was primarily due to revenue growth attributable to higher volumes of electricity sold, partly offset by the increase in operating expenses during the period. The total quantity of electricity sold for the period was approximately 1,476,649,000 kWh, an increase of 11.6% over the same period last year.

Water

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

For the period under review, revenue from the Water Company was approximately HK$176.2 million, broadly maintained at the same level as corresponding period last year. Profit was approximately HK$0.8 million compared to a loss of HK$3 million in the same period last year. The loss reduction was mainly attributable to savings in operating costs. The total quantity of water sold for the period was approximately 25,258,000 tonnes, a decline of 1.1% over the same period last year.

BUSINESS REVIEW *(continued)*

Utilities *(continued)*

Heat and Thermal Power

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

For the six months ended 30 June 2018, revenue from the Heat & Power Company was approximately HK$587.3 million, an increase of 15.8% over the corresponding period last year. Profit decreased 16% to approximately HK$21.1 million from HK$25 million in the same period last year. The decline in profit was mainly attributable to increase in operating costs, partly offset by the increase in government supplemental income. The total quantity of steam sold for the period was approximately 1,951,000 tonnes, maintained at the same level as the corresponding period last year.

Pharmaceutical

Pharmaceutical segment is principally engaged in the manufacture and sale of chemical drugs, and research and development of new medicine technology and new products as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

For the six months ended 30 June 2018, the segment revenue was approximately HK$1,421.7 million, an increase of 58.7% from HK$895.7 million in the corresponding period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK$1,308.7 million, an increase of 72% from HK$760.7 million in the same period last year. Revenue from provision of research and development services and other pharmaceutical related operations was approximately HK$62.2 million, 26.8% lower than the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK$50.8 million, an increase of 1.6% over the corresponding period last year.

For the period under review, profit from pharmaceutical segment was approximately HK$130.1 million compared to HK$118.4 million in the same period last year. If not taking into account the fair value gain of HK$49.8 million in respect of profit guarantee and impairment charge of HK$20.6 million on property, plant and equipment in the corresponding period in 2017, profit from pharmaceutical segment increased by 46% from HK$89.2 million. This was primarily due to revenue growth in sale of pharmaceutical products and improved operating margins, partly offset by the increase in selling and distribution expenses as well as administrative expenses. The increase in selling and distribution expenses was attributable to the business exploration and the expansion of sales network by increased marketing staff and marketing expenses in response to the implementation of the "two-invoice system".

BUSINESS REVIEW *(continued)*

Pharmaceutical *(continued)*

On 6 August 2018, TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) ("Jinhao Pharmaceutical"), an indirect non-wholly owned subsidiary of the Company, entered into a joint cooperation agreement with Tianjin China Merchants Tianhe Pharmaceutical Technology Development Partnership (limited partnership) (天津招商天合醫藥科技發展合夥企業（有限合夥）) ("China Merchants Tianhe") in relation to the disposal of part of the equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute") by Jinhao Pharmaceutical to China Merchants Tianhe through a combination of (i) China Merchants Tianhe, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 (equivalent to approximately HK$1,167,441,860) by way of cash contribution into Research Institute, in which, RMB33,889,796 (equivalent to approximately HK$39,406,740) will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 (equivalent to approximately HK$1,128,035,120) will be contributed towards the capital reserve of Research Institute; and (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to China Merchants Tianhe for a consideration of RMB399,270,000 (equivalent to approximately HK$464,267,442) (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 announcements dated 29 May 2018 and 6 August 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 2018, revenue from Courtyard Hotel increased by 17.9% to approximately HK$62 million from HK$52.6 million in the same period last year. Profit was approximately HK$14.8 million compared to HK$7.4 million in the corresponding period last year. The average occupancy rate improved to 90% from 85% of same period last year, and the average room rate was also elevated.

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 2018, revenue from electrical and mechanical segment was approximately HK$562 million, an increase of 13.3% over the corresponding period last year. Loss from electrical and mechanical segment was approximately HK$71.5 million compared to HK$55.4 million in the same period last year. The increase in loss was primarily attributable to high operating costs squeezed margins in hydroelectric equipment business and increase in administrative expenses as well as distribution expenses, which mainly consist of transportation and installation expenses.

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 8.5% to approximately HK$7,495.6 million and profit attributable to owners of Tianjin Port was approximately HK$406.1 million, representing a decline of 12.8% over the corresponding period last year.

Tianjin Port contributed to the Group a profit of approximately HK$85.9 million, representing a decline of 12.1% over 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$8,581.2 million, representing an increase of 4.9% over the corresponding period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$97.5 million, representing a decline of 15.4% over the corresponding period in 2017.

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 2018, the market value of the Group's interest in Binhai Investment was approximately HK$88.1 million (31 December 2017: approximately HK$85.8 million) and the unrealised fair value loss of approximately HK$7.5 million was recognised in other comprehensive income.

PROSPECT

Owing to the global trade tensions situation, the economic and trade frictions between the leading economies has increasingly intensified and the economic outlook will become more uncertain. The Chinese economy is in the process of transformation and restructuring while economic downward pressure persists. Following the further reform of the state-owned enterprises, it will provide development opportunities for the Company's subsidiaries in participating the diversification of ownership structure.

The Company will as done before maintain a stable financial position and cash resources so as to seize the development opportunity and to identify for the shareholders those sustainable and growing quality projects.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 30 June 2018, the Group's total cash on hand and total bank borrowings stood at approximately HK$5,843.1 million and approximately HK$2,316.5 million respectively (31 December 2017: approximately HK$7,396.1 million and HK$2,348.5 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK$458.2 million (31 December 2017: approximately HK$491.9 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 20% as at 30 June 2018 (31 December 2017: approximately 21%).

Of the total HK$2,316.5 million bank borrowings outstanding as at 30 June 2018, HK$1,793.6 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods, RMB335 million (equivalent to approximately HK$397.4 million) were fixed-rate debts with annual interest rates at 4.35% to 6% and RMB105.8 million (equivalent to approximately HK$125.5 million) were floating-rate debts with annual interest rates at 4.57% to 5.84%.

As at 30 June 2018, 77.4% (31 December 2017: 76.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 22.6% (31 December 2017: 23.7%) was denominated in Renminbi.

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 5,297 employees of which approximately 532 were management personnel and 1,777 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 and also paid supplementary retirement benefits for certain 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 2018, restricted bank balances, notes receivables, land use rights and buildings of HK$237 million, HK$42 million, HK$147 million and HK$482 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2018, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Wang Zhiyong	8,600,000	0.80%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	600,000	0.06%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	600,000	0.06%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%

notes:

1. All interests are held in the capacity as a beneficial owner.

2. All interests stated above represent long positions.

3. As at 30 June 2018, the total number of shares of the Company in issue was 1,072,770,125.

4. Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Share Option Scheme") of the Company was approved by shareholders of the Company. 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 under the Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

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

			Number of share options					
	Date of grant	Exercise price per share HK$	As at 1 January 2018	During the period Exercised	Lapsed	Cancelled	As at 30 June 2018	Exercise period
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
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
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
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
Continuous contract employees	16/12/2009	5.750	900,000	—	—	—	900,000	16/12/0009 – 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions in the shares 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	673,753,143	62.80%
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	673,753,143	62.80%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,753,143	62.80%
Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")	1&3	Directly beneficially interest and interest of controlled corporation	673,753,143	62.80%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	1&4	Interest of controlled corporation	54,746,000	5.10%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)	1&4	Directly beneficially interest	54,746,000	5.10%

SUBSTANTIAL SHAREHOLDERS *(continued)*

notes:

1. All interests stated above represent long positions.

2. 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.

3. As at 30 June 2018, Tsinlien directly held 22,954,000 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.

4. Based on a corporate substantial shareholder notice, Central Huijin Investment Ltd. holds 71.56% equity interest in China Reinsurance (Group) Corporation. By virtue of the SFO, Central Huijin Investment Ltd. is deemed to have an interest in the shares of the Company in which China Reinsurance (Group) Corporation is interested.

Save as disclosed above, as at 30 June 2018, 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 2018.

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 are outstanding, which constitute deviations from Code Provisions A.2 and A.5.1 of the CG Code. Further announcement will be made by the Company as and when appropriate in relation to such appointments.

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 2018.

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

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of directors of the Company subsequent to the date of the 2017 annual report of the Company are as follows:

(1) Mr. Zeng Xiaoping has retired as Chairman and executive director of the Company and ceased to be the Chairman of the nomination committee, member of the remuneration committee and authorised representative of the Company with effect from 31 July 2018.

(2) Mr. Wang Zhiyong has been appointed as a member of the remuneration committee and an authorised representative of the Company with effect from 31 July 2018.

(3) Dr. Chan Ching Har, Eliza has been appointed as independent non-executive director of Tong Ren Tang Technologies Co., Ltd. (Stock Code: 1666) with effect from 12 June 2018.

(4) Dr. Loke Yu has resigned as independent non-executive director of Winfair Investment Company Limited (Stock Code: 287) and China Household Holdings Limited (Stock Code: 692) with effect from 3 April 2018 and 6 August 2018 respectively. He has been appointed as independent non-executive director of TC Orient Lighting Holdings Limited (Stock Code: 515) with effect from 6 June 2018.

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 2018.

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 2018 (30 June 2017: HK4.08 cents per share) to the shareholders whose names appear on the Company's register of members on 28 September 2018. The interim dividend will be paid on 29 October 2018.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2018 (Wednesday) to 28 September 2018 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2018 (Monday).

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 2018.

By Order of the Board
Wang Zhiyong
Executive Director and General Manager

Hong Kong, 30 August 2018

Deloitte. 德勤

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 49, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 2018