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天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- Total cargo throughput handled was 200.82 million tonnes, of which total container throughput was 8.572 million TEUs.
- Revenue was HK\$6,323 million.
- Profit attributable to equity holders of the Company was HK\$220 million.
- Basic earnings per share was HK3.6 cents.

The board of directors (the “Board”) of Tianjin Port Development Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
	Note	2020 HK\$'000	2019 HK\$'000 (restated)
Revenue	3	6,323,448	7,085,540
Business tax and surcharge		(2,646)	(5,610)
Cost of sales		<u>(4,855,259)</u>	<u>(5,636,479)</u>
Gross profit		1,465,543	1,443,451
Other income and gains	4	122,364	227,828
Administrative expenses		(678,414)	(703,185)
Net impairment losses on financial assets		(4,466)	(3,518)
Loss of assets	12	–	(45,128)
Other operating expenses		<u>(39,740)</u>	<u>(18,715)</u>
Operating profit		865,287	900,733
Finance costs	5	(291,078)	(338,637)
Share of net profit of associates and joint ventures accounted for using the equity method		<u>231,494</u>	<u>266,354</u>
Profit before income tax		805,703	828,450
Income tax	6	<u>(209,340)</u>	<u>(206,881)</u>
Profit for the period	7	<u><u>596,363</u></u>	<u><u>621,569</u></u>
Profit attributable to:			
Equity holders of the Company		219,770	273,274
Non-controlling interests		<u>376,593</u>	<u>348,295</u>
		<u><u>596,363</u></u>	<u><u>621,569</u></u>
Earnings per share	9		
Basic (HK cents)		<u>3.6</u>	<u>4.4</u>
Diluted (HK cents)		<u><u>3.6</u></u>	<u><u>4.4</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
		(restated)
Profit for the period	596,363	621,569
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	(107,780)	261,161
Income tax effect to the above item	26,795	(65,491)
Items that will not be subsequently reclassified to profit or loss:		
Currency translation differences	(514,305)	(113,180)
Other comprehensive (loss)/income for the period, net of tax	(595,290)	82,490
Total comprehensive income for the period	1,073	704,059
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(44,563)	287,042
Non-controlling interests	45,636	417,017
	1,073	704,059

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		19,631,549	20,351,560
Right-of-use assets		6,464,113	6,737,343
Intangible assets		68,970	68,143
Investments accounted for using the equity method		4,895,836	4,773,800
Financial assets at fair value through other comprehensive income		602,955	723,781
Deferred income tax assets		53,769	54,914
		<u>31,717,192</u>	<u>32,709,541</u>
Current assets			
Inventories		354,801	246,161
Trade and other receivables and notes receivables	10	3,308,154	3,177,891
Restricted bank deposits		38,866	35,059
Time deposits with maturity over three months		–	1,169,702
Cash and cash equivalents		7,559,798	7,474,924
		<u>11,261,619</u>	<u>12,103,737</u>
Total assets		<u>42,978,811</u>	<u>44,813,278</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		615,800	615,800
Other reserves		3,333,013	3,599,796
Retained earnings		8,194,848	7,972,628
		<u>12,143,661</u>	<u>12,188,224</u>
Non-controlling interests		<u>14,203,821</u>	<u>14,315,361</u>
Total equity		<u>26,347,482</u>	<u>26,503,585</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings		6,232,562	8,995,525
Lease liabilities		674,657	690,019
Deferred income tax liabilities		217,041	261,889
Other long-term liabilities		25,191	26,815
		<u>7,149,451</u>	<u>9,974,248</u>
Current liabilities			
Trade and other payables and contract liabilities	11	3,593,410	3,524,551
Current income tax liabilities		133,266	78,466
Borrowings		5,475,948	4,437,477
Lease liabilities		279,254	294,951
		<u>9,481,878</u>	<u>8,335,445</u>
Total liabilities		<u>16,631,329</u>	<u>18,309,693</u>
Total equity and liabilities		<u>42,978,811</u>	<u>44,813,278</u>
Net current assets		<u>1,779,741</u>	<u>3,768,292</u>
Total assets less current liabilities		<u>33,496,933</u>	<u>36,477,833</u>

Notes:

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 and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019.

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs for the accounting period beginning on 1 January 2020:

<i>HKAS 1 and HKAS 8 (Amendments)</i>	<i>Definition of Material</i>
<i>HKFRS 3 (Amendment)</i>	<i>Definition of a Business</i>
<i>HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)</i>	<i>Interest Rate Benchmark Reform</i>

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

3. SEGMENT INFORMATION

Segment information has been prepared in a manner consistent with the information which is regularly reviewed by the chief operating decision maker and used for the purposes of assessing performance and allocating resources between segments.

Principal activities of the three reportable segments are as follows:

Cargo handling	–	Provision of container handling and non-containerised cargo handling
Sales	–	Supply of fuel and sales of materials
Other port ancillary services	–	Tugboat services, agency services, tallying and other services

The segment information for the reportable segments is as follows:

Six months ended 30 June 2020 (Unaudited)	Cargo handling HK\$'000	Sales HK\$'000	Other port ancillary services HK\$'000	Total HK\$'000
Total segment revenue	3,194,080	2,210,162	1,191,253	6,595,495
Inter-segment revenue	—	(81,788)	(190,259)	(272,047)
Revenue from external customers	<u>3,194,080</u>	<u>2,128,374</u>	<u>1,000,994</u>	<u>6,323,448</u>
Segment results	<u>1,083,629</u>	<u>2,385</u>	<u>382,175</u>	1,468,189
Business tax and surcharge				(2,646)
Other income and gains				122,364
Administrative expenses				(678,414)
Net impairment losses on financial assets				(4,466)
Other operating expenses				(39,740)
Finance costs				(291,078)
Share of net profit of associates and joint ventures accounted for using the equity method				<u>231,494</u>
Profit before income tax				<u>805,703</u>
 Six months ended 30 June 2019 (Unaudited) (restated)	 Cargo handling HK\$'000	 Sales HK\$'000	 Other port ancillary services HK\$'000	 Total HK\$'000
Total segment revenue	3,147,366	2,943,718	1,280,685	7,371,769
Inter-segment revenue	—	(93,584)	(192,645)	(286,229)
Revenue from external customers	<u>3,147,366</u>	<u>2,850,134</u>	<u>1,088,040</u>	<u>7,085,540</u>
Segment results	<u>1,029,454</u>	<u>19,315</u>	<u>400,292</u>	1,449,061
Business tax and surcharge				(5,610)
Other income and gains				227,828
Administrative expenses				(703,185)
Net impairment losses on financial assets				(3,518)
Loss of assets				(45,128)
Other operating expenses				(18,715)
Finance costs				(338,637)
Share of net profit of associates and joint ventures accounted for using the equity method				<u>266,354</u>
Profit before income tax				<u>828,450</u>

4. OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income		
from deposits	81,394	115,200
from loan to a joint venture	2,351	2,855
Dividend income from financial assets at fair value		
through other comprehensive income	10,032	12,242
Government grants	14,011	3,742
Remeasurement gain on investment in an associate		
accounted for using the equity method	–	81,581
Others	14,576	12,208
	<u>122,364</u>	<u>227,828</u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on borrowings	281,204	320,123
Less: Amount capitalised in construction in progress	(9,627)	(6,957)
	<u>271,577</u>	<u>313,166</u>
Interest expenses on lease liabilities	19,501	25,471
	<u>291,078</u>	<u>338,637</u>

6. INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
PRC income tax		
Current	204,286	199,320
Deferred	5,054	7,561
	<u>209,340</u>	<u>206,881</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the period (2019: nil).

PRC income tax has been provided based on the estimated assessable profits for the period at the prevailing income tax rates applicable to the subsidiaries located in the PRC.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Costs of goods sold	2,087,357	2,799,000
Depreciation of property, plant and equipment	541,098	491,246
Depreciation of right-of-use assets	172,584	184,014
Amortisation of intangible assets	9,610	8,415
Exchange loss, net	36,485	16,675

8. DIVIDEND

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
2018 final dividend of HK2.79 cents per ordinary share	—	171,808

At the meeting held on 29 May 2020, the Board recommended the payment of a final dividend of HK2.52 cents per ordinary share for the year ended 31 December 2019. The 2019 final dividend was approved at the annual general meeting of the Company held on 9 July 2020 and the aggregate amount of the 2019 final dividend was approximately HK\$155,182,000. These condensed consolidated financial statements do not reflect this dividend payable.

The Board resolved not to pay an interim dividend for the six months ended 30 June 2020 (2019: nil).

9. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
		(restated)
Earnings		
Profit attributable to equity holders of the Company for calculating basic and diluted earnings per share	219,770	273,274
	'000	'000
Number of shares		
Weighted average number of ordinary shares for calculating basic and dilutive earnings per share	6,158,000	6,158,000

In both periods, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of the Company's shares.

10. TRADE AND OTHER RECEIVABLES AND NOTES RECEIVABLES

In general, the Group grants a credit period of about 30 to 180 days to its customers. The ageing analysis of trade receivables (net of provision for impairment) based on the invoice date is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0 - 90 days	1,424,667	1,741,719
91 - 180 days	162,666	100,198
Over 180 days	157,326	52,497
	<u>1,744,659</u>	<u>1,894,414</u>

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0 - 90 days	1,038,054	1,444,764
91 - 180 days	318,981	116,703
181 - 365 days	204,213	78,192
Over 365 days	65,555	57,292
	<u>1,626,803</u>	<u>1,696,951</u>

12. RESTATEMENTS DUE TO SUSPECTED EMBEZZLEMENT OF FUNDS

As disclosed in the announcements of the Company dated 12 February 2020, 24 March 2020 and 20 May 2020, and the Group's consolidated financial statements for the year ended 31 December 2019, the Group had identified that a finance officer of 天津港焦炭碼頭有限公司 (Tianjin Port Coke Terminals Co., Ltd.*) (a subsidiary of the Group) was suspected to have embezzled funds of the aforesaid subsidiary totalling approximately RMB153.9 million (equivalent to approximately HK\$171.8 million as at 31 December 2019) during the financial years ended 31 December 2016 to 2019. As a result, the Group had suffered from loss of cash and cash equivalents in the respective periods.

The effects of the restatements on the Group's condensed consolidated income statement for the six months ended 30 June 2019 are summarised as follows:

	Six months ended 30 June 2019 <i>HK\$'000</i>	Restatements <i>HK\$'000</i>	Six months ended 30 June 2019 <i>HK\$'000</i> (restated)
Condensed consolidated income statement (extract)			
Loss of assets	–	(45,128)	(45,128)
Profit for the period	666,697	(45,128)	621,569
Profit attributable to:			
Equity holders of the Company	298,911	(25,637)	273,274
Non-controlling interests	367,786	(19,491)	348,295
	666,697	(45,128)	621,569
Earnings per share			
Basic (HK cents)	4.9	(0.5)	4.4
Diluted (HK cents)	4.9	(0.5)	4.4

The effects of the restatements on the Group's condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 are summarised as follows:

	Six months ended 30 June 2019 <i>HK\$'000</i>	Restatements <i>HK\$'000</i>	Six months ended 30 June 2019 <i>HK\$'000</i> (restated)
Condensed consolidated statement of comprehensive income (extract)			
Profit for the period	666,697	(45,128)	621,569
Other comprehensive loss			
Currency translation differences	(114,365)	1,185	(113,180)
Other comprehensive income for the period, net of tax	81,305	1,185	82,490
Total comprehensive income for the period	748,002	(43,943)	704,059
Total comprehensive income attributable to:			
Equity holders of the Company	312,006	(24,964)	287,042
Non-controlling interests	435,996	(18,979)	417,017
	748,002	(43,943)	704,059

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

In the first half of 2020, total cargo throughput handled by the Group was 200.82 million tonnes (2019: 198.04 million tonnes), an increase of 1.4% over the same period last year, of which total container throughput was 8.572 million TEUs (2019: 8.315 million TEUs), an increase of 3.1% over the same period last year.

In the first half of 2020, profit attributable to shareholders of the Company amounted to HK\$220 million and basic earnings per share was HK3.6 cents.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020.

REVIEW OF OPERATIONS

The outbreak of COVID-19 pandemic is an unprecedented shock to the global economy since the beginning of this year; many countries are experiencing a sharp deterioration in economic performance. In an all-out effort to fight the pandemic, China has taken stringent measures and brought the domestic pandemic under control. With the full resumption of operation and production and the government stimulus measures, China's economy is on the path of steady recovery. China's GDP growth turned positive in the second quarter of 2020 showing an increase of 3.2%, a sharp rebound from the 6.8% contraction in the first quarter. In the first half of 2020, China's GDP declined by 1.6% year-on-year and total import and export value contracted by 6.3% year-on-year to US\$2.03 trillion. According to the statistics from the Ministry of Transport of the PRC, cargo throughput handled by ports in China in the first half of 2020 was 6,752 million tonnes, representing a year-on-year growth of 0.6%, of which container throughput handled decreased by 5.4% year-on-year to 120.19 million TEUs.

The Group has implemented a range of stringent prevention and control measures in response to the COVID-19 outbreak to safeguard and ensure a well-functioning port supply chain. In the first half of 2020, total cargo throughput handled by the Group was 200.82 million tonnes, maintained steady growth of 1.4% year-on-year.

Non-containerised Cargo Handling Business

In the first half of 2020, the Group achieved total non-containerised cargo throughput of 107.99 million tonnes, representing an increase of 2.9% over the same period last year, of which throughput of the subsidiary terminals grew by 7.5% and throughput of the jointly controlled and affiliated terminals fell by 8.2%.

Nature of terminal	Non-containerised cargo throughput			
	First half of 2020	First half of 2019	Change amount	Change percentage
	<i>million tonnes</i>	<i>million tonnes</i>	<i>million tonnes</i>	
Subsidiary terminals	79.92	74.31	5.61	7.5%
Jointly controlled and affiliated terminals	28.07	30.59	-2.52	-8.2%
Total	107.99	104.90	3.09	2.9%

In terms of total throughput on a year-on-year basis, metal ore handling grew by 13.1% to 52.90 million tonnes (2019: 46.76 million tonnes), coal handling dropped by 10.3% to 28.30 million tonnes (2019: 31.54 million tonnes), crude oil handling decreased by 3.9% to 13.19 million tonnes (2019: 13.72 million tonnes), steel handling was down by 14.2% to 5.14 million tonnes (2019: 5.99 million tonnes), and automobiles handling decreased by 13.2% to 0.66 million tonnes (2019: 0.76 million tonnes).

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business was HK\$24.5 per tonne (2019: HK\$27.2 per tonne), a decrease of 9.9% compared with the same period last year. In RMB, the blended average unit price decreased by 5.5% compared with the same period last year.

Container Handling Business

Currently, the Group operates all container terminals at the port of Tianjin.

In the first half of 2020, the Group achieved total container throughput of 8.572 million TEUs, representing an increase of 3.1% over the same period last year, of which throughput of the subsidiary terminals increased by 37.4% and throughput of the jointly controlled and affiliated terminals dropped by 30.6%. After 天津五洲國際集裝箱碼頭有限公司 (Tianjin Five Continents International Container Terminal Co., Ltd.*) (“Tianjin Five Continents”, an associate originally held as to 40% by the Group) became a subsidiary of the Group in June 2019 and was then absorbed and merged by 天津港集裝箱碼頭有限公司 (Tianjin Port Container Terminal Co., Ltd.*) (“Tianjin Port Container”, a subsidiary of the Group), its throughput was included in subsidiary terminals in the first half of 2020 while it was included in jointly controlled and affiliated terminals in the first half of 2019, causing large fluctuations between throughput of the two categories.

Nature of terminal	Container throughput			
	First half of 2020 <i>'000 TEUs</i>	First half of 2019 <i>'000 TEUs</i>	Change amount <i>'000 TEUs</i>	Change percentage
Subsidiary terminals	5,663	4,122	1,541	37.4%
Jointly controlled and affiliated terminals	2,909	4,193	-1,284	-30.6%
Total	8,572	8,315	257	3.1%

On a consolidated basis, the blended average unit price of the container handling business was HK\$218.8 per TEU (2019: HK\$273.0 per TEU), a decrease of 19.9% compared with the same period last year. In RMB, the blended average unit price decreased by 15.9% compared with the same period last year. The decrease in the blended average unit price was mainly attributable to the change in cargo mix in the first half of 2020, and the change in cargo mix (on a consolidated basis) caused after Tianjin Five Continents became a subsidiary of the Group and was then absorbed and merged by Tianjin Port Container.

Sales Business

The Group's sales business mainly engaged in the supply of fuel to the inbound vessels, sales of supplies and other materials.

In the first half of 2020, the Group recorded revenue of HK\$2,128 million from sales business, representing a decrease of 25.3% compared with the same period last year, which was mainly due to the drop in both sales volume and prices.

Other Port Ancillary Services Business

Other port ancillary services of the Group mainly include tugboat services, agency services and other services.

In the first half of 2020, cargo agency dropped by 14.0% to 34.84 million tonnes of cargoes (2019: 40.52 million tonnes); shipping agency decreased by 14.5% to 2,653 vessel calls (2019: 3,102 vessel calls); tallying services decreased by 7.9% to 50.39 million tonnes of cargoes (2019: 54.73 million tonnes); and tugboat services decreased by 5.3% to 19,700 vessel calls (2019: 20,810 vessel calls) compared with the same period last year.

OUTLOOK

Going into the second half of the year, the global economic outlook remains highly uncertain due to the pandemic, and the pace of economic recovery is extremely unclear. While this pandemic reoriented our focus, other risks, including U.S. presidential election, ongoing tensions between China and the U.S., debt crisis, geopolitical risks, continue to weigh on the global economy and international trade, posing challenges to the port industry. According to the World Economic Outlook update published by the International Monetary Fund (IMF) in June, the global economic growth is projected at -4.9% and China's growth is projected at 1.0% in 2020.

This year, the Group has continued to create new accomplishments. In promoting the automation and intelligence of container operation, we launched an integrated intelligent tallying system, which improved the efficiency of container terminals handling and tallying services. In the construction of green ports, we further promoted the green transportation mode of "road freight to rail freight" and "cargo containerisation". Going forward, the Group determines to face the upcoming challenges, strive for its high-quality development, push forward the use of 5G technology, focus on automation in operation, foster port intellectualisation to the highest international standard, and aims to construct a world-class smart and green port.

FINANCIAL REVIEW

Revenue

The Group's revenue was HK\$6,323 million in the first half of 2020, representing a decrease of 10.8% compared with the same period last year. An analysis of revenue by segment is as follows:

Type of business	Revenue			
	First half of 2020	First half of 2019	Change amount	Change percentage
	HK\$ million	HK\$ million	HK\$ million	
Non-containerised cargo handling business	1,955	2,023	-68	-3.3%
Container handling business	1,239	1,125	114	10.2%
Cargo handling business (total)	3,194	3,148	46	1.5%
Sales business	2,128	2,850	-722	-25.3%
Other port ancillary services business	1,001	1,088	-87	-8.0%
Total	6,323	7,086	-763	-10.8%

Revenue from non-containerised cargo handling business was HK\$1,955 million, 3.3% lower than that in the same period last year. In RMB, revenue increased by 1.4%, mainly contributed by the increase in non-containerised cargo throughput.

Revenue from container handling business grew by 10.2% over the same period last year to HK\$1,239 million. In RMB, revenue increased by 15.6%, which was mainly attributable to the change in scope of consolidation after Tianjin Five Continents became a subsidiary of the Group and was then absorbed and merged by Tianjin Port Container.

Revenue from sales business was HK\$2,128 million, a 25.3% decrease compared with the same period last year and a 21.6% decrease in RMB, which was mainly due to the drop in both sales volume and prices.

Revenue from other port ancillary services business was HK\$1,001 million, an 8.0% decrease compared with the same period last year and a 3.4% decrease in RMB.

Cost of Sales

In the first half of 2020, cost of sales of the Group was HK\$4,855 million, representing a decrease of 13.9% compared with the same period last year. An analysis of costs by segment is as follows:

Type of business	Costs			
	First half of 2020	First half of 2019	Change amount	Change percentage
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Cargo handling business	2,110	2,118	-8	-0.4%
Sales business	2,126	2,831	-705	-24.9%
Other port ancillary services business	619	687	-68	-10.0%
Total	<u>4,855</u>	<u>5,636</u>	<u>-781</u>	<u>-13.9%</u>

Cost of cargo handling business was HK\$2,110 million, 0.4% lower than that in the same period last year. In RMB, cost increased by 4.6%, primarily attributable to the change in scope of consolidation after Tianjin Five Continents became a subsidiary of the Group and was then absorbed and merged by Tianjin Port Container.

Cost of sales business was HK\$2,126 million, a 24.9% decrease compared with the same period last year. In RMB, cost decreased by 21.2% which was mainly due to the decrease in sales leading to the corresponding decrease in costs of sales.

Cost of other port ancillary services business was HK\$619 million, a 10.0% decline compared with the same period last year and a 5.6% decrease in RMB, which was mainly due to the decrease in wage costs and labour costs.

Gross Profit

Gross profit and gross profit margin for the first half of 2020 were HK\$1,466 million (2019: HK\$1,443 million) and 23.2% (2019: 20.4%) respectively. Gross profit increased by 1.5% over the same period last year and gross profit margin increased by 2.8 percentage points over the same period last year, which was mainly driven by the increase in gross profit and gross profit margin of cargo handling business.

Administrative Expenses

Administrative expenses of the Group decreased by 3.5% compared with the same period last year to HK\$678 million. The Group will take strict measures in control and management so as to maintain administrative expenses at a reasonable level.

Other Income and Gains and Other Operating Expenses

Other income and gains amounted to HK\$122 million, representing a decrease of HK\$105 million compared with the same period last year. The decline was primarily due to the gain of HK\$81.58 million recorded in the same period last year on remeasurement of 40% equity interest in Tianjin Five Continents originally held by the Group in accordance with relevant accounting standards, when Tianjin Five Continents became a subsidiary of the Group upon completion of the acquisition of additional equity interest. Interest income from deposits decreased by HK\$33.81 million compared with the same period last year.

Other operating expenses amounted to HK\$39.74 million, an increase of HK\$21.02 million compared with HK\$18.72 million reported in the same period last year, mainly due to the increase in exchange loss of HK\$19.81 million.

Finance Costs

Finance costs (excluding capitalised interest) were HK\$291 million and finance costs (including capitalised interest) were HK\$301 million, a decrease of 14.0% and 13.0% compared with the same period last year respectively, which was mainly attributable to the decrease in total borrowings compared with the same period last year.

Share of Net Profit of Associates and Joint Ventures Accounted for Using the Equity Method

The Group's share of net profit of associates and joint ventures accounted for using the equity method was HK\$231 million, representing a decrease of 13.1% compared with the same period last year.

Income Tax

The Group's income tax expenses amounted to HK\$209 million, representing an increase of HK\$2.46 million over the same period last year.

FINANCIAL POSITION

Cash Flow

In the first half of 2020, net increase in cash and cash equivalents of the Group amounted to HK\$215 million.

The Group continued to generate steady cash flow from its operations. Net cash inflow from operating activities amounted to HK\$1,277 million.

Net cash inflow from investing activities amounted to HK\$899 million, which included cash inflow of HK\$1,147 million as a result of decrease in time deposits with maturity over three months upon maturity, and cash used for capital expenditure of HK\$268 million.

Net cash outflow from financing activities amounted to HK\$1,961 million, which included payment of dividends and interest expenses on borrowings of HK\$373 million, net decrease of HK\$1,529 million in borrowings, and lease payment of HK\$59.64 million.

Capital Structure

The equity attributable to equity holders of the Company as at 30 June 2020 was HK\$12,144 million (31 December 2019: HK\$12,188 million), and the net asset value of the Company was HK\$2.0 per share (31 December 2019: HK\$2.0 per share).

As at 30 June 2020, the Company had an issued share capital of 6,158 million shares and the market capitalisation was approximately HK\$3,325 million (at the closing price of the shares of the Company of HK\$0.54 per share on 30 June 2020).

Assets and Liabilities

As at 30 June 2020, the Group's total assets were HK\$42,979 million (31 December 2019: HK\$44,813 million) and total liabilities were HK\$16,631 million (31 December 2019: HK\$18,310 million). Net current assets as at 30 June 2020 were HK\$1,780 million (31 December 2019: HK\$3,768 million).

Liquidity, Financial Resources and Borrowings

As at 30 June 2020, the Group's cash and deposits (including restricted bank deposits and time deposits with maturity over three months) were HK\$7,599 million (31 December 2019: HK\$8,680 million) and principally denominated in RMB.

The Group's total borrowings as at 30 June 2020 were HK\$11,709 million (31 December 2019: HK\$13,433 million), with HK\$5,476 million repayable within one year, HK\$4,156 million repayable after one year and within five years and HK\$2,077 million repayable after five years. About 18.7% and 81.3% of the Group's borrowings were denominated in HK\$ and RMB respectively.

Financial Ratios

As at 30 June 2020, the Group's gearing ratio (total borrowings divided by total equity) was 44.4% (31 December 2019: 50.7%), and current ratio (current assets divided by current liabilities) was 1.2 (31 December 2019: 1.5).

Pledge of Assets

None of the Group's assets were pledged as at 30 June 2020.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2020.

Financial Management and Policy

The Group's Hong Kong head office is responsible for financial risk management of the Group and the finance department is responsible for the daily management. One of the major objectives of the Group's treasury policy is to manage its foreign currency exchange rate and interest rate risk exposures. It is the Group's policy not to engage in any speculative activities.

The operations of the Group are located in the PRC and its functional currency is RMB. The Group is exposed to foreign exchange risk primarily from the assets and liabilities that are denominated in non-functional currencies. As at 30 June 2020, most of the Group's assets and liabilities were denominated in RMB except for certain bank borrowings denominated in HK\$. RMB exchange rate fluctuated in the first half of 2020. With the transition to 'risk-off' mode in global financial markets due to the pandemic, USD was pushed up. Following the successful implementation of pandemic prevention and control measures, China has successfully resumed its economic activities. This, together with a weaker USD index, supported the RMB exchange rate, easing the depreciation pressure on RMB. As the exchange rate of RMB at the end of June 2020 was approximately 2.0% lower than that at the end of 2019, an exchange loss of HK\$36.49 million (2019: HK\$16.68 million) arose from the translation of foreign currency denominated liabilities held by the Group. The fluctuations in RMB exchange rate will affect the Group's results reported in HK\$ as the Group operates its business in the PRC and its functional currency is RMB. No hedging arrangement was entered into in respect of foreign exchange risk exposure during the period under review.

The Group's interest rate risk arises primarily from the fluctuation in interest rates of borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk, while borrowings at fixed rates expose the Group to fair value interest rate risk. As at 30 June 2020, the Group's total borrowings were HK\$11,709 million and mainly at floating interest rate, and the average borrowing interest rate was 4.0% (31 December 2019: 4.3%).

The Group will continue to monitor the risks of exchange rate and interest rate closely. In view of the fluctuations in RMB exchange rate and its debts in foreign currencies, the Group will continuously review its treasury strategy, with the aim to be well prepared and to respond quickly and effectively to the rapidly changing conditions in financial market.

CAPITAL EXPENDITURE AND COMMITMENTS

In the first half of 2020, additions to property, plant and equipment of the Group amounted to HK\$223 million, which primarily comprised construction of new terminals and depots, and renovation of terminals and depots.

As at 30 June 2020, the Group's capital commitments (including authorised but not contracted for) amounted to HK\$2,410 million (31 December 2019: HK\$2,803 million), of which HK\$1,849 million was for property, plant and equipment and HK\$561 million was for investment in an associate.

On 23 July 2020, 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.*) ("Tianjin Port Co", a subsidiary of the Group) entered into an agreement with the other shareholder of 神華天津煤炭碼頭有限公司 (Shenhua Tianjin Coal Terminal Co., Ltd.*) ("Shenhua Tianjin", an associate of the Group) to terminate the capital injection and not to contribute the unpaid capital to Shenhua Tianjin. Upon termination of the capital injection, the percentage shareholding interest of Tianjin Port Co in Shenhua Tianjin remains unchanged at 45% and Shenhua Tianjin continues to be accounted for as an associate of the Group. Details were set out in the announcement of the Company dated 23 July 2020.

EMPLOYEES

As at 30 June 2020, the Group had approximately 8,000 employees. The Group offers remuneration packages for employees based on their position, performance and the labour market conditions. In addition to basic salary, mandatory provident fund scheme (in accordance with the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or the state-managed pension scheme (for PRC employees), discretionary bonus is also awarded to the employees with reference to the annual results and the employees' performance. The Group reviews the remuneration policies and packages on a regular basis.

The Group highly values the life-long learning and personal development of the employees, and enhances their productivity through the provision of training, thereby benefits business development of the Group. The management proactively communicates with employees to foster the employer-employee relationship.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has reviewed the interim results for the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the Model Code at all applicable times throughout the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Company at www.tianjinportdev.com and the HKEXnews website at www.hkexnews.hk. The 2020 interim report of the Company will be published on the website of the Company and the HKEXnews website, and will be despatched to the shareholders of the Company in due course.

By Order of the Board
Tianjin Port Development Holdings Limited
Chu Bin
Chairman

Hong Kong, 26 August 2020

As at the date of this announcement, the Board comprises Mr. Chu Bin, Mr. Luo Xunjie, Mr. Sun Bin, Mr. Wang Junzhong and Ms. Shi Jing as executive Directors; Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong as independent non-executive Directors.

* *For identification purposes only*