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 2018

HIGHLIGHTS

- Total cargo throughput handled was 206.32 million tonnes, of which total container throughput was 7.791 million TEUs.
- Revenue was HK$7,496 million.
- Profit attributable to equity holders of the Company was HK$406 million.
- Basic earnings per share was HK6.6 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 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**7,495,582**	8,188,662
Business tax and surcharge		**(8,052)**	(9,873)
Cost of sales		**(5,929,032)**	(6,375,174)
Gross profit		**1,558,498**	1,803,615
Other income and gains	*4*	**128,644**	206,920
Administrative expenses		**(750,679)**	(775,608)
Net impairment losses on financial assets		**(15,061)**	–
Other operating expenses		**(52,421)**	(6,207)
Operating profit		**868,981**	1,228,720
Finance costs	*5*	**(303,458)**	(274,582)
Share of net profit of associates and joint ventures accounted for using the equity method		**254,231**	240,310
Profit before income tax		**819,754**	1,194,448
Income tax	*7*	**(46,613)**	(232,036)
Profit for the period		**773,141**	962,412
Profit attributable to:			
Equity holders of the Company		**406,072**	465,852
Non-controlling interests		**367,069**	496,560
		773,141	962,412
Earnings per share	*9*		
Basic (HK cents)		**6.6**	7.6
Diluted (HK cents)		**6.6**	7.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**773,141**	962,412
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	**(81,786)**	–
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of available-for-sale financial assets	**–**	121,993
Currency translation differences	**(238,546)**	752,214
Other comprehensive (loss)/income for the period, net of tax	**(320,332)**	874,207
Total comprehensive income for the period	**452,809**	1,836,619
Total comprehensive income attributable to:		
Equity holders of the Company	**260,992**	854,693
Non-controlling interests	**191,817**	981,926
	452,809	1,836,619

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**6,208,926**	6,334,061
Property, plant and equipment		**19,253,072**	19,834,777
Intangible assets		**61,409**	69,909
Investments accounted for using the equity method		**5,911,652**	5,972,997
Financial assets at fair value through other comprehensive income		**558,082**	–
Available-for-sale financial assets		**–**	958,574
Deferred income tax assets		**66,465**	63,520
		32,059,606	33,233,838
Current assets			
Inventories		**223,745**	237,647
Trade and other receivables	*10*	**3,573,003**	3,234,034
Restricted bank deposits		**54,916**	49,742
Time deposits with maturity over three months		**559,456**	573,860
Cash and cash equivalents		**10,527,844**	10,118,303
		14,938,964	14,213,586
Total assets		**46,998,570**	47,447,424
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**615,800**	615,800
Other reserves		**4,077,800**	4,625,214
Retained earnings		**7,982,783**	7,484,124
		12,676,383	12,725,138
Non-controlling interests		**13,938,679**	14,237,699
Total equity		**26,615,062**	26,962,837

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018** ***HK$'000***	Audited 31 December 2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**10,920,241**	8,823,898
Deferred income tax liabilities		**266,647**	483,652
Other long-term liabilities		**28,745**	23,589
		11,215,633	9,331,139
Current liabilities			
Trade and other payables	*11*	**4,143,281**	3,447,745
Current income tax liabilities		**103,116**	120,725
Borrowings		**4,921,478**	7,584,978
		9,167,875	11,153,448
Total liabilities		**20,383,508**	20,484,587
Total equity and liabilities		**46,998,570**	47,447,424
Net current assets		**5,771,089**	3,060,138
Total assets less current liabilities		**37,830,695**	36,293,976

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim 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 Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017 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 interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017.

(a) The Group has adopted the following new standards, amendments and interpretations for the accounting period beginning on 1 January 2018:

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

HKFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to customers. The adoption of HKFRS 15, other amendments and interpretations has no significant impact on the results and financial position of the Group for the current or prior periods. The impact of the adoption of HKFRS 9 is disclosed below.

HKFRS 9 replaces HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group made an election to designate its equity investments previously classified as available-for-sale financial assets to financial assets at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income (OCI). There is no subsequent reclassification of fair value gains and losses to profit or loss at disposal, and the cumulative gain and loss recognised in the revaluation reserve is transferred to retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income.

(b) The Group has not early adopted the following new standards, amendments and interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]
HKAS 28 (Amendment)	*Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*[1]
HKAS 19 (Amendment)	*Employee Benefits – Plan Amendments, Curtailment or Settlement*[1]
HKFRS 9 (Amendment)	*Financial Instruments – Prepayment Features with Negative Compensation*[1]
HKFRS 10 (Amendment) and HKAS 28 (2011) (Amendment)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective date is to be determined

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 30 June 2018, the Group had non-cancellable operating lease commitments of approximately HK$1.46 billion. The Group has not yet quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows on adoption of HKFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

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

Inter-segment transactions are carried out at arm's length.

The segment information for the reportable segments is as follows:

	Unaudited Six months ended 30 June 2018			
	Cargo handling *HK$'000*	**Sales** *HK$'000*	**Other port ancillary services** *HK$'000*	**Total** *HK$'000*
Total segment revenue	**3,288,964**	**3,135,605**	**1,454,155**	**7,878,724**
Inter-segment revenue	**–**	**(174,872)**	**(208,270)**	**(383,142)**
Revenue from external customers	**3,288,964**	**2,960,733**	**1,245,885**	**7,495,582**
Segment results	**1,084,995**	**63,061**	**418,494**	**1,566,550**
Business tax and surcharge				**(8,052)**
Other income and gains				**128,644**
Administrative expenses				**(750,679)**
Net impairment losses on financial assets				**(15,061)**
Other operating expenses				**(52,421)**
Finance costs				**(303,458)**
Share of net profit of associates and joint ventures accounted for using the equity method				**254,231**
Profit before income tax				**819,754**

	Unaudited			
	Six months ended 30 June 2017			
	Cargo handling	Sales	Other port ancillary services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	3,450,762	3,634,448	1,528,875	8,614,085
Inter-segment revenue	–	(191,611)	(233,812)	(425,423)
Revenue from external customers	3,450,762	3,442,837	1,295,063	8,188,662
Segment results	1,338,931	77,686	396,871	1,813,488
Business tax and surcharge				(9,873)
Other income and gains				206,920
Administrative expenses				(775,608)
Other operating expenses				(6,207)
Finance costs				(274,582)
Share of net profit of associates and joint ventures accounted for using the equity method				240,310
Profit before income tax				1,194,448

4. OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Exchange gain, net	**–**	129,494
Interest income		
– from deposits	**110,871**	47,108
– from loan to a joint venture	**2,312**	1,681
– from loans receivable	**–**	13,633
Dividend income from financial assets at FVOCI	**10,647**	–
Dividend income from available-for-sale financial assets	**–**	9,207
Government grants	**3,573**	2,250
Others	**1,241**	3,547
	128,644	206,920

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest expenses on borrowings	**313,772**	281,560
Less: Amount capitalised in construction in progress	**(10,314)**	(6,978)
	303,458	274,582

6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Costs of goods sold	**2,848,371**	3,333,874
Depreciation of property, plant and equipment	**554,704**	492,407
Amortisation of land use rights	**82,901**	72,650
Amortisation of intangible assets	**9,339**	8,323
Exchange loss, net	**42,532**	–

7. INCOME TAX

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
PRC income tax		
– Current	**171,365**	220,853
– Deferred	**(124,752)**	11,183
	46,613	232,036

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profit arising in or derived from Hong Kong for the period (2017: Nil).

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

The PRC Enterprise Income Tax law imposes a withholding income tax at 10% on dividends distributed by a PRC resident enterprise to its holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Such income tax rate may be further reduced to 5% in the case where the holding company is a Hong Kong resident enterprise holding 25% or more equity interests in such PRC resident enterprise pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Upon completion of tax filing and settlement procedures by one of the Group's PRC subsidiaries with the respective tax authority in April 2018, the Group considered that it qualified for the preferential tax rate of 5% on dividends paid by the respective PRC subsidiary and recognised the effect of the change of the respective tax rate during the six months ended 30 June 2018.

8. DIVIDEND

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
2017 final dividend of HK5.03 cents per ordinary share (2017: 2016 final dividend of HK3.44 cents per ordinary share)	**309,747**	211,835

At the meeting held on 27 March 2018, the Board recommended the payment of a final dividend of HK5.03 cents per ordinary share for the year ended 31 December 2017. The 2017 final dividend was approved at the annual general meeting of the Company held on 5 June 2018.

The Board resolved not to pay an interim dividend for the six months ended 30 June 2018 (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for calculating basic and diluted earnings per share	**406,072**	465,852

	Unaudited Six months ended 30 June	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for calculating basic earnings per share	**6,158,000**	6,158,000
Effect of dilutive potential ordinary shares:		
– Share options	**830**	1,572
Weighted average number of ordinary shares for calculating diluted earnings per share	**6,158,830**	6,159,572

Diluted earnings per share for the six months ended 30 June 2018 and 30 June 2017 assumed the effect of exercise of certain of the Company's outstanding share options since they would have a dilutive effect.

10. TRADE AND OTHER RECEIVABLES

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

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
0 - 90 days	**2,495,406**	2,610,415
91 - 180 days	**150,957**	134,212
Over 180 days	**77,782**	64,930
	2,724,145	2,809,557

11. TRADE AND OTHER PAYABLES

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

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
0 - 90 days	**1,473,177**	1,309,441
91 - 180 days	**65,082**	126,142
181 - 365 days	**157,538**	44,747
Over 365 days	**16,487**	23,983
	1,712,284	1,504,313

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

In the first half of 2018, total cargo throughput handled by the Group was 206.32 million tonnes (2017: 218.20 million tonnes), representing a decrease of 5.4% over the same period last year, of which total container throughput grew by 5.2% to 7.791 million TEUs (2017: 7.404 million TEUs).

In the first half of 2018, profit attributable to shareholders of the Company amounted to HK$406 million and basic earnings per share was HK6.6 cents.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018.

REVIEW OF OPERATIONS

In the first half of 2018, the global economy continued to strengthen. While the U.S. economy maintained its stable upward trend, the Eurozone economy showed moderate yet slightly slower growth. The Chinese economy remained solid with GDP achieving a 6.8% growth. China's total import and export value rose to US$2.2 trillion in the first half of 2018, representing a year-on-year increase of 16.0%. The solid performance of global trade led to an increase in cargo throughput at China's ports. According to the statistics from the Ministry of Transport of the PRC, cargo throughput handled by China's ports of significant scale was 6,542 million tonnes, representing a year-on-year growth of 2.4%, lower than the 7.5% of the same period last year, of which container throughput handled increased by 5.4% (2017: 8.8%) on a year-on-year basis to 121.04 million TEUs.

In the first half of 2018, total cargo throughput handled by the Group was 206.32 million tonnes, decreased by 5.4% year-on-year, mainly due to the drop in non-containerised cargo throughput resulting from the adjustment to the coal transportation mode by truck in 2017.

Non-containerised Cargo Handling Business

In the first half of 2018, the Group handled total non-containerised cargo throughput of 122.65 million tonnes, representing a decrease of 13.2% over the same period last year, of which throughput of subsidiary terminals dropped by 17.9% whereas throughput of jointly controlled and affiliated terminals increased by 6.2%.

Nature of terminal	**First half of 2018** *million tonnes*	First half of 2017 *million tonnes*	Amount of change *million tonnes*	Change percentage
	Non-containerised cargo throughput			
Subsidiary terminals	**93.17**	113.49	-20.32	-17.9%
Jointly controlled and affiliated terminals	**29.48**	27.76	1.72	6.2%
Total	**122.65**	141.25	-18.60	-13.2%

In terms of total throughput on a year-on-year basis, coal handling dropped by 20.2% to 37.27 million tonnes (2017: 46.73 million tonnes), steel handling was down by 33.3% to 6.48 million tonnes (2017: 9.71 million tonnes), metal ore handling decreased by 4.6% to 46.88 million tonnes (2017: 49.12 million tonnes), crude oil handling reduced by 2.8% to 11.48 million tonnes (2017: 11.81 million tonnes), and automobiles handling lowered by 10.8% to 12.70 million tonnes (2017: 14.23 million tonnes).

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business was HK$24.0 per tonne (2017: HK$22.0 per tonne), an increase of 9.1% over the same period last year. In RMB, the blended average unit price increased by 1.0% over 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 2018, the container handling business maintained a stable growth. The Group achieved total container throughput of 7.791 million TEUs, representing an increase of 5.2% over the same period last year, of which throughput of the subsidiary terminals increased by 5.1% and throughput of jointly controlled and affiliated terminals rose by 5.4%.

Nature of terminal	**First half of 2018** ***'000 TEUs***	First half of 2017 *'000 TEUs*	Growth amount *'000 TEUs*	Growth percentage
	Container throughput			
Subsidiary terminals	**3,758**	3,577	181	5.1%
Jointly controlled and affiliated terminals	**4,033**	3,827	206	5.4%
Total	**7,791**	7,404	387	5.2%

On a consolidated basis, the blended average unit price of the container handling business increased by 4.4% to HK$279.6 per TEU (2017: HK$267.7 per TEU). In RMB, the blended average unit price decreased by 3.5% over the same period last year.

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 2018, the Group recorded revenue of HK$2,961 million from the sales business segment, representing a decrease of 14.0% over the same period last year, which was mainly due to the decrease in sales volume.

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 2018, cargo agency dropped by 6.2% to 45.23 million tonnes (2017: 48.20 million tonnes); shipping agency decreased by 44.0% to 5,059 vessel calls (2017: 9,042 vessel calls); tallying services increased by 1.1% to 54.55 million tonnes of cargoes (2017: 53.97 million tonnes); and tugboat services decreased by 2.1% to 23,140 vessel calls (2017: 23,639 vessel calls).

OUTLOOK

Looking ahead to the second half of the year, the escalation of the U.S. trade conflicts with China and other major economies as well as the tightened monetary policies of the U.S. Federal Reserve will pose challenges to the market with more variables and economic uncertainties, thus affecting the global trade volume. The port industry will also be affected by global economic fluctuations.

The Group will continue to actively respond to the adjustments in China's transportation structure, fully enhance the core competitiveness of container business, consolidate the results of fee reduction and efficiency improvement, deepen port-channel connection and sea-rail intermodal transportation, strongly promote route development, strengthen feeder transportation within the Bohai Rim Region and step up the expansion of inland dry ports. While further pushing forward non-containerised cargo business to maintain throughput and improve efficiency, the Group will formulate corresponding measures by cargo types, act proactivity to the adjustments in ore transportation structure and reasonably allocating resources for non-ferrous metal ore. With a focus on both domestic and foreign trade, the Group will strive for the stable performance of steel business, stabilise foreign trade and increase domestic trade, maintain the advantages of automobile business, improve the multi-level transportation system, enhance the one-stop logistics services, strive to achieve additional coal throughput, step up the construction of the logistics base, and build a two-way rail transportation mode for various cargo types. Business will be optimised and upgraded to further strengthen the foundation for the Group to develop and face future market changes.

Following the adoption of the integrated container terminal operation system, the Group will continue to, in the second half of 2018, actively promote port transformation and upgrades, accelerate the building of intelligent green ports and through the integration of the container terminal operation system, will enhance the connection, share and allocate the resources efficiently, improve the efficiency of port operations and the effectiveness of services, achieve intelligent operation and management, reduce the time of entrance and departure, increase economic efficiency, optimise business environment, further strengthen the core competitiveness, and lay a solid foundation for long-term planning and sustainable development of the Group.

FINANCIAL REVIEW

Revenue

In the first half of 2018, the Group recorded revenue of HK$7,496 million, representing a decrease of 8.5% over the same period last year. An analysis of revenue by segment is as follows:

	Revenue			
Type of business	**First half of 2018** *HK$ million*	First half of 2017 *HK$ million*	Amount of change *HK$ million*	Change percentage
Non-containerised cargo handling business	**2,238.1**	2,493.4	-255.3	-10.2%
Container handling business	**1,050.9**	957.4	93.5	9.8%
Cargo handling business (total)	**3,289.0**	3,450.8	-161.8	-4.7%
Sales business	**2,960.7**	3,442.8	-482.1	-14.0%
Other port ancillary services business	**1,245.9**	1,295.1	-49.2	-3.8%
Total	**7,495.6**	8,188.7	-693.1	-8.5%

Revenue from non-containerised cargo handling business decreased by 10.2% to HK$2,238 million compared to the same period last year. In RMB, revenue decreased by 17.1%. This was mainly due to the decrease in non-containerised cargo throughput.

Driven by the increase in container throughput, revenue from container handling business increased by 9.8% over the same period last year to HK$1,051 million. In RMB, revenue increased by 1.4%.

Revenue from sales business was HK$2,961 million, a 14.0% decrease over the same period last year and a 20.6% decrease in RMB. This was mainly resulted from the decrease in sales volume.

Revenue from other port ancillary services business was HK$1,246 million, a 3.8% decrease over the same period last year and a 11.1% decrease in RMB. This was mainly due to the drop in business volume which caused the decrease in revenue from other port ancillary services business.

Cost of Sales

In the first half of 2018, cost of sales of the Group was HK$5,929 million, representing a decrease of 7.0% over the same period last year. An analysis of costs by segment is as follows:

	Costs			
Type of business	**First half of 2018** *HK$ million*	First half of 2017 *HK$ million*	Amount of change *HK$ million*	Change percentage
Cargo handling business	**2,203.9**	2,111.8	92.1	4.4%
Sales business	**2,897.7**	3,365.2	-467.5	-13.9%
Other port ancillary services business	**827.4**	898.2	-70.8	-7.9%
Total	**5,929.0**	6,375.2	-446.2	-7.0%

Cost of cargo handling business increased by 4.4% over the same period last year to HK$2,204 million. In RMB, cost decreased by 3.6%. The decrease in the cost of cargo handling business was mainly attributable to the decrease in wage costs, handling labour costs, storage costs and cargo reconfiguration costs resulting from the decrease in cargo throughput, as well as the strengthened cost management of the Group. The decrease in cargo handling cost was less than that in cargo handling revenue, which was mainly attributable to the fixed costs of cargo handling business.

Cost of sales business was HK$2,898 million, a 13.9% decrease over the same period last year and a 20.5% decrease in RMB. This was mainly due to the decrease in sales revenue which led to the corresponding decrease in costs of goods sold.

Cost of other port ancillary services business was HK$827 million, a decrease of 7.9% over the same period last year and a 14.9% decrease in RMB, which was due to the decrease in business volume and the strengthened cost management of the Group.

Gross Profit

Gross profit and gross profit margin for the first half of 2018 were HK$1,558 million (2017: HK$1,804 million) and 20.8% (2017: 22.0%) respectively. Gross profit decreased by 13.6%, primarily due to the decrease in gross profit from cargo handling business resulting from the decrease in non-containerised cargo throughput. Gross profit margin was down by 1.2 percentage points, mainly due to the decrease in non-containerised cargo throughput and cargo handling revenue, and the decrease in cargo handling cost was less than that in cargo handling revenue due to the effect of fixed costs, leading to a drop in the gross profit margin of cargo handling business.

Administrative Expenses

Administrative expenses of the Group decreased by 3.2% over the same period last year to HK$751 million. The Group continues to take stringent 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$129 million, representing a decrease of HK$78.28 million over the same period last year, which included an exchange gain of HK$129 million during the same period last year.

Other operating expenses amounted to HK$52.42 million, which included an exchange loss of HK$42.53 million, leading to an increase of HK$46.21 million compared with HK$6.21 million for the same period last year.

Finance Costs

Finance costs (excluding capitalised interest) were HK$303 million, an increase of 10.5% over the same period last year. Interest expenses (including capitalised interest) were HK$314 million, representing an increase of 11.4% over the same period last year. The increase in finance costs was attributable to the increase in average borrowing cost as 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$254 million, representing an increase of HK$13.92 million over the same period last year.

Income Tax

The Group's income tax expenses amounted to HK$46.61 million, representing a decrease of HK$185 million over the same period last year due to the decrease in deferred tax of the Group.

FINANCIAL POSITION

Cash Flow

In the first half of 2018, net cash inflow of the Group amounted to HK$545 million.

The Group continued to generate steady cash flow from its operations. Net cash inflow from operating activities amounted to HK$1,627 million.

Net cash inflow from investing activities amounted to HK$207 million, mainly attributable to proceeds from the disposal of financial assets at FVOCI of HK$302 million and capital expenditure of HK$144 million.

Net cash outflow from financing activities amounted to HK$1,289 million, which included payment of dividends and interest expenses of HK$834 million and net decrease of HK$455 million in borrowings.

Capital Structure

The equity attributable to equity holders of the Company as at 30 June 2018 was HK$12,676 million, and the net asset value of the Company was HK$2.1 per share (31 December 2017: HK$2.1 per share).

As at 30 June 2018, the Company had an issued share capital of 6,158 million shares and the market capitalisation was HK$5,850 million (at the closing price of the shares of the Company of HK$0.95 per share on 29 June 2018 (being the last trading day in the first half of 2018)).

Assets and Liabilities

As at 30 June 2018, the Group's total assets were HK$46,999 million (31 December 2017: HK$47,447 million) and total liabilities were HK$20,384 million (31 December 2017: HK$20,485 million). Net current assets were HK$5,771 million (31 December 2017: HK$3,060 million) as at 30 June 2018.

Liquidity, Financial Resources and Borrowings

As at 30 June 2018, the Group's cash and deposits (including restricted bank deposits and time deposits with maturity over three months) were HK$11,142 million (31 December 2017: HK$10,742 million), which were principally denominated in RMB.

The Group's total borrowings as at 30 June 2018 were HK$15,842 million (31 December 2017: HK$16,409 million), with HK$4,921 million repayable within one year, HK$10,373 million repayable after one year and within five years and HK$548 million repayable after five years. About 29.3% and 70.7% of the Group's borrowings were denominated in HK$ and RMB respectively.

Financial Ratios

As at 30 June 2018, the gearing ratio (total borrowings to total equity) of the Group was 59.5% (31 December 2017: 60.9%), and the current ratio (current assets to current liabilities) was 1.6 (31 December 2017: 1.3).

Pledge of Assets

As at 30 June 2018, none of the Group's assets were pledged.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2018.

Financial Management and Policy

The Group's head office in Hong Kong is responsible for financial risk management and the finance department is responsible for 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 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 2018, most of the Group's assets and liabilities were denominated in RMB except for certain bank borrowings denominated in HK$. RMB exchange rate movement was relatively violate in the first half of 2018. RMB exchange rate had maintained its trend in last December and continued to strengthen in the first quarter. It weakened from April to the beginning of June and slid sharply since mid-June and remained an upward trend during most of the time in the first half of 2018. However, the RMB exchange rate at the end of June 2018 was lower than that at the end of 2017 and an exchange loss arose from the translation of foreign currency denominated liabilities held by the Group. In the first half of 2018, the Group recorded exchange loss of HK$42.53 million (2017: exchange gain of HK$129 million). As the Group's business operations are in Mainland China, the fluctuations in RMB exchange rate will affect the Group's results reported in HK$. During the period under review, the Group did not enter into any hedging arrangement in respect of foreign exchange risk exposure.

The Group's interest rate risk arises primarily from the fluctuations 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 2018, the Group's total borrowings were HK$15,842 million, of which approximately 85.8% were at floating interest rates while the remaining 14.2% were at fixed interest rates. The average interest rate of the Group's borrowings was 4.0% (31 December 2017: 3.9%).

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 debt in foreign currencies, the Group will continuously review its treasury strategy, whilst keeping an eye on the US$ interest rate hike, with the aim to be well prepared and respond quickly and effectively to the rapidly changing conditions in financial market.

CAPITAL EXPENDITURE AND COMMITMENTS

In the first half of 2018, additions to property, plant and equipment of the Group amounted to HK$144 million, primarily used for the construction of new terminals and depots, and the renovation of terminals and depots.

As at 30 June 2018, the Group's capital commitments (including authorised but not contracted for) amounted to HK$4,309 million (31 December 2017: HK$4,800 million), among which HK$3,701 million was for property, plant and equipment and HK$608 million was for investment in an associate.

MATERIAL INVESTMENTS

天津港東疆物流園有限公司 (Tianjin Port Dongjiang Logistics Park Co., Ltd.*) (a wholly-owned subsidiary of the Group) invested in, constructed and operated the Tianjin Port Dongjiang Logistics Park project with a registered capital of RMB230 million. As of 30 June 2018, the cumulative capital contribution made by the Group was RMB187 million.

EMPLOYEES

As at 30 June 2018, the Group had approximately 9,000 employees. The Group offers remuneration packages for employees based on their position, performance and the labour market conditions. Share options were also granted to the management as remuneration. 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 individual development of the employees, and enhances their productivity through the provision of training, thereby benefiting the business development of the Group. The management proactively communicates with the employees to foster the employer-employee relationship.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2018.

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 2018.

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 2018, except for Code Provision E.1.2.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 5 June 2018.

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 throughout the six months ended 30 June 2018.

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 2018 Interim Report of the Company will be published on the website of the Company and the HKExnews website, and despatched to the shareholders of the Company in due course.

By Order of the Board
Tianjin Port Development Holdings Limited
Zhang Ruigang
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises Mr. Zhang Ruigang, Mr. Li Quanyong, Mr. Wang Rui, Mr. Yu Houxin 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*