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 2019

HIGHLIGHTS

- Total cargo throughput handled was 198.04 million tonnes, of which total container throughput was 8.315 million TEUs.
- Revenue was HK$7,086 million.
- Profit attributable to equity holders of the Company was HK$299 million.
- Basic earnings per share was HK4.9 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 2019 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**7,085,540**	7,495,582
Business tax and surcharge		**(5,610)**	(8,052)
Cost of sales		**(5,636,479)**	(5,929,032)
Gross profit		**1,443,451**	1,558,498
Other income and gains	*4*	**227,828**	128,644
Administrative expenses		**(703,185)**	(750,679)
Net impairment losses on financial assets		**(3,518)**	(15,061)
Other operating expenses		**(18,715)**	(52,421)
Operating profit		**945,861**	868,981
Finance costs	*5*	**(338,637)**	(303,458)
Share of net profit of associates and joint ventures accounted for using the equity method		**266,354**	254,231
Profit before income tax		**873,578**	819,754
Income tax	*7*	**(206,881)**	(46,613)
Profit for the period		**666,697**	773,141
Profit attributable to:			
Equity holders of the Company		**298,911**	406,072
Non-controlling interests		**367,786**	367,069
		666,697	773,141
Earnings per share	*9*		
Basic (HK cents)		**4.9**	6.6
Diluted (HK cents)		**4.9**	6.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**666,697**	773,141
Other comprehensive income/(loss)		
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	**261,161**	(106,648)
Income tax relating to these items	**(65,491)**	24,862
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(114,365)**	(238,546)
Other comprehensive income/(loss) for the period, net of tax	**81,305**	(320,332)
Total comprehensive income for the period	**748,002**	452,809
Total comprehensive income attributable to:		
Equity holders of the Company	**312,006**	260,992
Non-controlling interests	**435,996**	191,817
	748,002	452,809

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
ASSETS			
Non-current assets			
Land use rights	*2(a)*	**–**	5,897,291
Property, plant and equipment		**20,538,436**	18,803,723
Right-of-use assets		**7,020,860**	–
Intangible assets		**59,387**	60,069
Investments accounted for using the equity method		**4,987,796**	5,524,722
Financial assets at fair value through other comprehensive income		**763,675**	509,111
Deferred income tax assets		**52,879**	54,091
		33,423,033	30,849,007
Current assets			
Inventories		**300,707**	318,441
Trade and other receivables	*10*	**3,468,630**	3,301,211
Restricted bank deposits		**45,920**	19,193
Time deposits with maturity over three months		**251,222**	1,115,043
Cash and cash equivalents		**10,233,773**	9,868,107
		14,300,252	14,621,995
Total assets		**47,723,285**	45,471,002
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**615,800**	615,800
Other reserves		**3,705,285**	3,702,402
Retained earnings		**8,037,419**	7,906,069
		12,358,504	12,224,271
Non-controlling interests		**14,394,659**	13,665,161
Total equity		**26,753,163**	25,889,432

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**8,528,348**	9,050,608
Lease liabilities		**775,318**	–
Deferred income tax liabilities		**273,317**	220,084
Other long-term liabilities		**24,415**	25,533
		9,601,398	9,296,225
Current liabilities			
Trade and other payables	*11*	**4,776,303**	3,785,951
Current income tax liabilities		**134,412**	99,150
Borrowings		**6,149,805**	6,400,244
Lease liabilities		**308,204**	-
		11,368,724	10,285,345
Total liabilities		**20,970,122**	19,581,570
Total equity and liabilities		**47,723,285**	45,471,002
Net current assets		**2,931,528**	4,336,650
Total assets less current liabilities		**36,354,561**	35,185,657

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 2018 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 2018.

(a) Adoption of new/revised HKFRSs

The Group has adopted the following new standards, amendments and interpretation for the accounting period beginning on 1 January 2019:

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

Saved as the impact of the adoption of HKFRS 16 disclosed below, the adoption of other amendments and interpretation has no significant impact on the results and financial position of the Group.

Prior to the adoption of HKFRS 16, leases where substantially all the rewards and risks of ownership of assets remained with the lessor were accounted for as operating leases. Operating lease rentals were recognised in the consolidated income statement on a straight-line basis over the lease term. Commitments under operating leases for future periods were not recognised as liabilities.

Upon adoption of HKFRS 16, the majority of operating leases (except for short-term leases with a lease term of 12 months or less and leases of low value assets) are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group has adopted HKFRS 16 on 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position as at 1 January 2019.

On transition to HKFRS 16, the Group has applied the practical expedients permitted by the standard as follows:

– the accounting for operating leases with a remaining lease term of less than 12 months of the date of initial application as short-term leases; and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 "Leases" and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

Upon adoption of HKFRS 16, the Group reclassified the land use rights to right-of-use assets for presentation purpose.

The table below summarises the impact of the adoption of HKFRS 16 on the opening condensed consolidated statement of financial position as at 1 January 2019:

	HK$'000
Decrease in land use rights	**(5,897,291)**
Increase in right-of-use assets	**7,001,322**
Decrease in trade and other payables	**(32,235)**
Increase in lease liabilities (current)	**272,319**
Increase in lease liabilities (non-current)	**863,947**

(b) New/revised HKFRSs issued but not yet effective and not early adopted

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

HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*[1]
HKFRS 3 (Amendment)	*Business Combinations - Definition of a Business*[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 17	*Insurance Contracts*[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date is to be determined

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:

	Unaudited Six months ended 30 June 2019			
	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	**3,147,366**	**2,850,134**	**1,088,040**	**7,085,540**
Segment results	**1,029,454**	**19,315**	**400,292**	**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)**
Other operating expenses				**(18,715)**
Finance costs				**(338,637)**
Share of net profit of associates and joint ventures accounted for using the equity method				**266,354**
Profit before income tax				**873,578**

	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

4. OTHER INCOME AND GAINS

	Unaudited **Six months ended 30 June**	
	2019 ***HK$'000***	2018 *HK$'000*
Interest income		
– from deposits	**115,200**	110,871
– from loan to a joint venture	**2,855**	2,312
Dividend income from financial assets at fair value through other comprehensive income	**12,242**	10,647
Government grants	**3,742**	3,573
Remeasurement gain on investment in an associate accounted for using the equity method	**81,581**	-
Others	**12,208**	1,241
	227,828	128,644

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest expenses on borrowings	**320,123**	313,772
Less: Amount capitalised in construction in progress	**(6,957)**	(10,314)
	313,166	303,458
Interest expenses on lease liabilities	**25,471**	–
	338,637	303,458

6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Costs of goods sold	**2,799,000**	2,848,371
Depreciation of property, plant and equipment	**491,246**	554,704
Depreciation of right-of-use assets	**184,014**	–
Amortisation of land use rights	**–**	82,901
Amortisation of intangible assets	**8,415**	9,339
Exchange loss, net	**16,675**	42,532

7. INCOME TAX

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
PRC income tax		
– Current	**199,320**	171,365
– Deferred	**7,561**	(124,752)
	206,881	46,613

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the period (2018: 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.

8. DIVIDEND

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
2018 final dividend of HK2.79 cents per ordinary share (2018: 2017 final dividend of HK5.03 cents per ordinary share)	**171,808**	309,747

At the meeting held on 27 March 2019, the Board recommended the payment of a final dividend of HK2.79 cents per ordinary share for the year ended 31 December 2018. The 2018 final dividend was approved at the annual general meeting of the Company held on 29 May 2019.

The Board resolved not to pay an interim dividend for the six months ended 30 June 2019 (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for calculating basic and diluted earnings per share	**298,911**	406,072

	Unaudited Six months ended 30 June	
	2019	2018
	'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
Weighted average number of ordinary shares for calculating diluted earnings per share	**6,158,000**	6,158,830

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
	2019	2018
	HK$'000	*HK$'000*
0 - 90 days	**2,321,252**	2,443,401
91 - 180 days	**154,256**	170,644
Over 180 days	**88,004**	31,648
	2,563,512	2,645,693

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
	2019	2018
	HK$'000	*HK$'000*
0 - 90 days	**1,502,526**	1,718,074
91 - 180 days	**291,094**	129,199
181 - 365 days	**113,742**	40,019
Over 365 days	**38,931**	46,536
	1,946,293	1,933,828

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

In the first half of 2019, total cargo throughput handled by the Group was 198.04 million tonnes (2018: 194.12 million tonnes[+]), representing an increase of 2.0% over the same period last year, of which total container throughput was 8.315 million TEUs (2018: 7.791 million TEUs), an increase of 6.7% over the same period last year.

[+] According to the "Notice on Adjusting the Calculation Method for Ro-Ro Vehicle Throughput in the Ports" (《關於調整港口滾裝汽車吞吐量計算方法的通知》) issued by the Ministry of Transport of the PRC, with effect from January 2019, the Group's ro-ro vehicle throughput used the statistical method of conversion by actual weight rather than by coefficient. For comparison purpose, related figures for the first half of 2018 have been restated on the same basis.

In the first half of 2019, profit attributable to shareholders of the Company amounted to HK$299 million and basic earnings per share was HK4.9 cents.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019.

REVIEW OF OPERATIONS

Global economy sustained its growth in the first half of 2019, however, growth momentum was impeded and global trade continued to slow down due to uncertainties over the trade disputes. In the first half of 2019, China's total import and export value fell by 2.0% year-on-year to US$2.16 trillion. While the U.S. economy grew solidly, the Eurozone economy has slackened. China's economy held steady with GDP grew by 6.3%, which is within a reasonable range. China's ports achieved stable growth. According to the statistics from the Ministry of Transport of the PRC, cargo throughput handled by China's port was 6,713 million tonnes, representing a year-on-year growth of 4.5% (on a comparable basis), of which container throughput handled increased by 5.1% on a year-on-year basis to 126.99 million TEUs.

In the first half of 2019, total cargo throughput handled by the Group was 198.04 million tonnes, increased by 2.0% year-on-year.

Non-containerised Cargo Handling Business

In the first half of 2019, the Group achieved total non-containerised cargo throughput of 104.90 million tonnes, representing a decrease of 5.0% over the same period last year, of which throughput of the subsidiary terminals fell by 8.2% and throughput of the jointly controlled and affiliated terminals grew by 3.8%.

	Non-containerised cargo throughput			
Nature of terminal	**First half of 2019** ***million tonnes***	First half of 2018+ *million tonnes*	Amount of change *million tonnes*	Percentage of change
Subsidiary terminals	**74.31**	80.97	-6.66	-8.2%
Jointly controlled and affiliated terminals	**30.59**	29.48	1.11	3.8%
Total	**104.90**	110.45	-5.55	-5.0%

In terms of total throughput on a year-on-year basis, crude oil handling rose by 19.5% to 13.72 million tonnes (2018: 11.48 million tonnes), automobiles handling grew by 52.0% to 0.76 million tonnes (2018: 0.50 million tonnes+), metal ore handling decreased by 0.3% to 46.76 million tonnes (2018: 46.88 million tonnes), coal handling dropped by 15.4% to 31.54 million tonnes (2018: 37.27 million tonnes), and steel handling was down by 7.6% to 5.99 million tonnes (2018: 6.48 million tonnes).

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business was HK$27.2 per tonne (2018: HK$27.6 per tonne+), a decrease of 1.4% over the same period last year. In RMB, the blended average unit price increased by 4.4% 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 2019, the container handling business experienced a stable growth. The Group achieved total container throughput of 8.315 million TEUs, representing an increase of 6.7% over the same period last year, of which throughput of the subsidiary terminals increased by 9.7% and throughput of the jointly controlled and affiliated terminals rose by 4.0%.

	Container throughput			
Nature of terminal	**First half of 2019** ***'000 TEUs***	First half of 2018 *'000 TEUs*	Amount of change *'000 TEUs*	Percentage of change
Subsidiary terminals	**4,122**	3,758	364	9.7%
Jointly controlled and affiliated terminals	**4,193**	4,033	160	4.0%
Total	**8,315**	7,791	524	6.7%

On a consolidated basis, the blended average unit price of the container handling business decreased by 2.4% over the same period last year to HK$273.0 per TEU (2018: HK$279.6 per TEU). In RMB, the blended average unit price increased by 3.6% 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 2019, the Group recorded revenue of HK$2,850 million from sales business, representing a decrease of 3.7% over the same period last year.

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 2019, cargo agency dropped by 10.4% to 40.52 million tonnes of cargoes (2018: 45.23 million tonnes); shipping agency decreased by 38.7% to 3,102 vessel calls (2018: 5,059 vessel calls); tallying services increased by 0.3% to 54.73 million tonnes of cargoes (2018: 54.55 million tonnes); and tugboat services decreased by 10.1% to 20,810 vessel calls (2018: 23,140 vessel calls) over the same period of last year.

OUTLOOK

Going into the second half of the year, economic outlook remains uncertain. Global economic development will continue to face fluctuations created by the further escalation of global trade war, the direction of the U.S. Federal Reserve's monetary policy and Brexit. Uncertainties over the U.S. trade policies will continue to affect the global trading environment, imposing further pressure on trade prospects. The port industry will also be impacted by the trade war.

This year, the Group merged 3 container terminal companies (namely 天津港集裝箱碼頭有限公司 (Tianjin Port Container Terminal Co., Ltd.*) ("Tianjin Port Container"), 天津東方海陸集裝箱碼頭有限公司 (Tianjin Orient Container Terminals Co., Ltd.*) ("Tianjin Orient") and 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")), to centralise the operation and management of container terminals in the Tianjin Port Dongtudi Area, enhancing the operating efficiency and leveraging on the advantages of port consolidation. The Group has also made progress in enhancing the levels of automation and intelligence of our container operations, attaining quay crane automatic control with 5G technology and an intelligent control system that further enhanced the operational efficiency of our container terminals. In promoting the construction of a green port, driverless electric trucks have been put into operation to achieve zero emissions, an intelligent dust suppression sprinkler system has been adopted and the onshore power supply system construction has been expedited to improve environmental quality by reducing pollution. In the second half of the year, the Group will continue to promote innovation and efficiency enhancement with the implementation of technology as our cornerstone, to accomplish our goal of port transformation and upgrades and building an intelligent green port.

FINANCIAL REVIEW

The Group has adopted HKFRS 16 on 1 January 2019. Under the transitional provisions of HKFRS 16, the comparatives for the first half of 2018 were not restated. Upon adoption of HKFRS 16, lessee's operating leases which meet the definition of leases set out in HKFRS 16 (except for short-term leases with a lease term of 12 months or less and leases of low value assets) are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position, and the related rental expenses are replaced with the depreciation of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement. Short-term leases with a lease term of 12 months or less and leases of low value assets will continue to be recognised as operating lease rental expenses over the lease period. The adoption of HKFRS 16 has resulted in increased depreciation and finance costs, while decreased operating lease rental expenses.

Revenue

In the first half of 2019, the Group recorded revenue of HK$7,086 million, representing a decrease of 5.5% over the same period last year. An analysis of revenue by segment is as follows:

	Revenue			
Type of business	**First half of 2019** *HK$ million*	First half of 2018 *HK$ million*	Amount of change *HK$ million*	Percentage of change
Non-containerised cargo handling business	**2,023**	2,238	-215	-9.6%
Container handling business	**1,125**	1,051	74	7.1%
Cargo handling business (total)	**3,148**	3,289	-141	-4.3%
Sales business	**2,850**	2,961	-111	-3.7%
Other port ancillary services business	**1,088**	1,246	-158	-12.7%
Total	**7,086**	7,496	-410	-5.5%

Revenue from non-containerised cargo handling business was HK$2,023 million, a 9.6% decrease over the same period last year. In RMB, revenue decreased by 4.2%, mainly due to the decrease in non-containerised cargo throughput.

Driven by the increase in container throughput, revenue from container handling business increased by 7.1% over the same period last year to HK$1,125 million. In RMB, revenue increased by 13.6%.

Revenue from sales business was HK$2,850 million, a 3.7% decrease over the same period last year. In RMB, revenue increased by 2.1%, mainly contributed by the rise in sales volume.

The lower non-containerised cargo throughput caused the drop in revenue from other port ancillary services business. Revenue from other port ancillary services business was HK$1,088 million, a 12.7% decrease over the same period last year. In RMB, revenue decreased by 7.4%.

Cost of Sales

In the first half of 2019, cost of sales of the Group was HK$5,636 million, representing a decrease of 4.9% over the same period last year. An analysis of costs by segment is as follows:

	Costs			
Type of business	**First half of 2019** *HK$ million*	First half of 2018 *HK$ million*	Amount of change *HK$ million*	Percentage of change
Cargo handling business	**2,118**	2,204	-86	-3.9%
Sales business	**2,831**	2,898	-67	-2.3%
Other port ancillary services business	**687**	827	-140	-16.9%
Total	**5,636**	5,929	-293	-4.9%

Cost of cargo handling business decreased by 3.9% over the same period last year to HK$2,118 million. In RMB, cost increased by 1.9%, mainly attributable to the increase in cargo reconfiguration costs resulting from the increase in container throughput.

Cost of sales business was HK$2,831 million, a 2.3% decrease over the same period last year. In RMB, cost increased by 3.6%, mainly due to the increase in sales revenue which led to the corresponding increase in costs of goods sold.

Cost of other port ancillary services business was HK$687 million, a 16.9% decrease over the same period last year and an 11.8% decrease in RMB, which was due to the decrease in business volume.

The adoption of HKFRS 16 resulted in an increase in depreciation and a decrease in operating lease rental expenses but had no significant impact on the cost of sales.

Gross Profit

Gross profit and gross profit margin for the first half of 2019 were HK$1,443 million (2018: HK$1,558 million) and 20.4% (2018: 20.8%) respectively. Gross profit decreased by HK$115 million over the same period last year. In RMB, gross profit decreased by 1.8% and gross profit margin decreased by 0.4 percentage points over the same period last year, which was mainly the result of lower gross profit and gross profit margin of sales business.

Administrative Expenses

Administrative expenses of the Group decreased by 6.3% over the same period last year to HK$703 million.

Other Income and Gains and Other Operating Expenses

Other income and gains amounted to HK$228 million, representing an increase of HK$99.18 million over the same period last year. The increase was primarily due to the gain of HK$81.58 million recorded 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.

Other operating expenses amounted to HK$18.72 million, a decrease of HK$33.70 million compared with HK$52.42 million reported in the same period last year, mainly due to the decrease in exchange loss of HK$25.86 million.

Finance Costs

Finance costs (excluding capitalised interest) amounted to HK$339 million, which included interest expenses of HK$25.47 million on lease liabilities upon adoption of HKFRS 16.

Excluding the impact of HKFRS 16, finance costs (excluding capitalised interest) were HK$313 million and finance costs (including capitalised interest) were HK$320 million, an increase of 3.2% and 2.0% over the same period last year respectively, which was mainly attributable to the higher average borrowing cost than that of 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$266 million, representing an increase of 4.8% over the same period last year.

Income Tax

The Group's income tax expenses amounted to HK$207 million, representing an increase of HK$160 million over the same period last year, which was primarily due to the decrease in deferred tax in the same period last year.

FINANCIAL POSITION

Cash Flow

In the first half of 2019, net increase in cash and cash equivalents of the Group amounted to HK$424 million.

The Group continued to generate steady cash flow from its operations. Net cash inflow from operating activities amounted to HK$1,572 million.

Net cash inflow from investing activities amounted to HK$689 million, which included receipt of dividends of HK$108 million from investments accounted for using the equity method, a decrease of HK$859 million in time deposits with maturity over three months, and capital expenditure of HK$396 million.

Net cash outflow from financing activities amounted to HK$1,836 million, which included payment of dividends and interest expenses on borrowings of HK$507 million, net decrease of HK$1,237 million in borrowings, and lease payment of HK$85.91 million.

Capital Structure

The equity attributable to equity holders of the Company as at 30 June 2019 was HK$12,359 million, and the net asset value of the Company was HK$2.0 per share (31 December 2018: HK$2.0 per share).

As at 30 June 2019, the Company had an issued share capital of 6,158 million shares and the market capitalisation was HK$5,050 million (at the closing price of the shares of the Company of HK$0.82 per share on 28 June 2019 (being the last trading day in the first half of 2019)).

Assets and Liabilities

As at 30 June 2019, the Group's total assets were HK$47,723 million (31 December 2018: HK$45,471 million) and total liabilities were HK$20,970 million (31 December 2018: HK$19,582 million). Net current assets as at 30 June 2019 were HK$2,932 million (31 December 2018: HK$4,337 million).

The Group has adopted HKFRS 16 on 1 January 2019. Upon adoption of HKFRS 16, the Group's right-of-use assets were HK$7,001 million (including reclassification of HK$5,897 million from land use rights) and lease liabilities were HK$1,136 million (including reclassification of HK$32.24 million from trade and other payables) on 1 January 2019. As at 30 June 2019, right-of-assets and lease liabilities amounted to HK$7,021 million and HK$1,084 million respectively.

Liquidity, Financial Resources and Borrowings

As at 30 June 2019, the Group's cash and deposits (including restricted bank deposits and time deposits with maturity over three months) were HK$10,531 million (31 December 2018: HK$11,002 million), which were principally denominated in RMB.

The Group's total borrowings as at 30 June 2019 were HK$14,678 million (31 December 2018: HK$15,451 million), with HK$6,150 million repayable within one year, HK$7,773 million repayable after one year and within five years and HK$755 million repayable after five years. About 25.1% and 74.9% of the Group's borrowings were denominated in HK$ and RMB respectively.

Financial Ratios

As at 30 June 2019, the Group's gearing ratio (total borrowings divided by total equity) was 54.9% (31 December 2018: 59.7%), and current ratio (current assets divided by current liabilities) was 1.3 (31 December 2018: 1.4).

Pledge of Assets

As at 30 June 2019, none of the Group's assets were pledged.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2019.

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 2019, most of the Group's assets and liabilities were denominated in RMB except for certain bank borrowings denominated in HK$. Since the start of the China-U.S. trade war in 2018, RMB was under depreciation pressures and has been volatile during the first half of 2019. As the exchange rate of RMB at the end of June 2019 was approximately 0.4% lower than that at the end of 2018, an exchange loss of HK$16.68 million (2018: HK$42.53 million) arose from the translation of foreign currency denominated liabilities held by the Group. The fluctuations in RMB exchange rate will affect the Group's results reported in HK$ as the Group operates its business in the PRC. 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 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 2019, the Group's total borrowings were HK$14,678 million, of which approximately 85.8% were at floating interest rate while the remaining 14.2% were at fixed interest rate, and the average borrowing interest rate was 4.3% (31 December 2018: 4.2%).

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, 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 2019, additions to property, plant and equipment of the Group were HK$334 million, primarily comprised construction of new terminals and depots, and renovation of terminals and depots.

As at 30 June 2019, the Group's capital commitments (including authorised but not contracted for) amounted to HK$3,768 million (31 December 2018: HK$3,766 million), of which HK$3,186 million was for property, plant and equipment and HK$582 million was for investment in an associate.

MATERIAL INVESTMENTS

During the period under review, material investments of the Group were as follows:

1. On 17 April 2019, 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.*) ("Tianjin Port Co") (as one of the transferees) entered into an equity transfer agreement with, inter alia, the transferor, pursuant to which Tianjin Port Co agreed to acquire 11.854% equity interest in Tianjin Five Continents at a consideration of RMB173,877,761.86. Details of the equity transfer were set out in the announcement of the Company dated 17 April 2019. The equity transfer was completed in the first half of 2019. Following the completion of equity transfer and up to the completion of the Merger (as defined below), the Group held 51.854% equity interest in Tianjin Five Continents which became a subsidiary of the Group.

2. On 10 June 2019, Tianjin Port Co (as one of the transferees) entered into an equity transfer agreement with, inter alia, the transferor, pursuant to which Tianjin Port Co agreed to acquire 24.5% equity interest in Tianjin Orient at a consideration of RMB102,915,357.23. Details of the equity transfer were set out in the announcement of the Company dated 10 June 2019. The equity transfer was completed in the first half of 2019. Following the completion of equity transfer and up to the completion of the Merger (as defined below), the Group held 75.5% equity interest in Tianjin Orient which continued to be a subsidiary of the Group.

3. On 30 June 2019, Tianjin Port Container, Tianjin Orient and Tianjin Five Continents (all being subsidiaries of the Group) and their shareholders entered into a merger agreement, pursuant to which Tianjin Port Container would, as the surviving party, absorb and merge with Tianjin Orient and Tianjin Five Continents (the "Merger"). Subsequently, Tianjin Orient and Tianjin Five Continents would be dissolved. Details of the Merger were set out in the announcement of the Company dated 1 July 2019.

The Merger has been completed as at the date of this announcement. Upon completion of the Merger, Tianjin Orient and Tianjin Five Continents were dissolved, and the Group holds 76.68% equity interest in Tianjin Port Container being the surviving party which continues to be a subsidiary of the Group.

EMPLOYEES

As at 30 June 2019, the Group had approximately 8,500 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 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 interim financial statements for the six months ended 30 June 2019 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 2019.

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 2019.

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 2019.

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 2019.

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 2019 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
Chu Bin
Chairman

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises Mr. Chu Bin, Mr. Li Quanyong, 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*