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天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$1,429,639,000 (30 June 2019 (restated): HK\$1,860,086,000).
- Profit attributable to owners of the Company amounted to approximately HK\$114,549,000 (30 June 2019: HK\$360,640,000).
- Basic earnings per share were HK10.68 cents (30 June 2019: HK33.62 cents).
- Interim dividend of HK3.00 cents per share (30 June 2019: HK3.26 cents per share).

RESULTS

The board of directors (the “**Board**”) of Tianjin Development Holdings Limited (the “**Company**”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 together with the comparatives figures for the corresponding period in 2019 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2020*

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|-----------------------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited & restated) |
| Continuing operations | | | |
| Revenue | 3 | 1,429,639 | 1,860,086 |
| Cost of sales | | (913,102) | (1,038,936) |
| Gross profit | | 516,537 | 821,150 |
| Other income | 4 | 111,903 | 80,862 |
| Other (losses) gains, net | 5 | (36,473) | 29,306 |
| Selling and distribution expenses | | (273,113) | (430,942) |
| General and administrative expenses | | (158,227) | (188,523) |
| Other operating expenses | | (54,912) | (84,906) |
| Finance costs | | (31,801) | (32,623) |
| Share of net profit of associates and joint ventures accounted for using the equity method | | 222,552 | 246,617 |
| Profit before tax | | 296,466 | 440,941 |
| Tax expense | 6 | (23,721) | (32,949) |
| Profit for the period from continuing operations | 8 | 272,745 | 407,992 |
| Electrical and mechanical business | | | |
| Loss for the period | 7(a) | (99,986) | (97,046) |
| Electricity business | | | |
| Gain on disposal of a subsidiary | | – | 136,016 |
| Loss for the period | 7(b) | – | (1,370) |
| (Loss) profit for the period from electrical and mechanical business and electricity business | | (99,986) | 37,600 |
| Profit for the period | | 172,759 | 445,592 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2020

| | | Six months ended 30 June | |
|--|-------------|---------------------------------------|--|
| | | 2020 | 2019 |
| | <i>Note</i> | HK\$'000 <i>(unaudited)</i> | <i>HK\$'000</i> <i>(unaudited & restated)</i> |
| Profit (loss) for the period attributable to owners of the Company | | | |
| – from continuing operations | | 193,053 | 299,573 |
| – from electrical and mechanical business | | (78,504) | (73,656) |
| – from electricity business | | – | 134,723 |
| | | <hr/> | <hr/> |
| Profit for the period attributable to owners of the Company | | 114,549 | 360,640 |
| | | <hr/> | <hr/> |
| Profit (loss) for the period attributable to non-controlling interests | | | |
| – from continuing operations | | 79,692 | 108,419 |
| – from electrical and mechanical business | | (21,482) | (23,390) |
| – from electricity business | | – | (77) |
| | | <hr/> | <hr/> |
| Profit for the period attributable to non-controlling interests | | 58,210 | 84,952 |
| | | <hr/> | <hr/> |
| | | 172,759 | 445,592 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | 9 | | |
| Basic | | | |
| – Continuing operations, electrical and mechanical business and electricity business | | 10.68 | 33.62 |
| | | <hr/> | <hr/> |
| – Continuing operations | | 18.00 | 27.93 |
| | | <hr/> | <hr/> |
| Diluted | | | |
| – Continuing operations, electrical and mechanical business and electricity business | | 10.68 | 33.62 |
| | | <hr/> | <hr/> |
| – Continuing operations | | 18.00 | 27.93 |
| | | <hr/> | <hr/> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Profit for the period | <u>172,759</u> | <u>445,592</u> |
| Other comprehensive income (expense) | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Change in fair value of equity instruments at fair value through other comprehensive income | 28,264 | (249,687) |
| Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income | (6,634) | 37,921 |
| Share of other comprehensive (expense) income of investments accounted for using the equity method | | |
| – fair value through other comprehensive income reserve | (5,886) | 13,981 |
| <i>Items that will not be subsequently reclassified to profit or loss:</i> | | |
| Currency translation differences | | |
| – the Group | (159,693) | (13,975) |
| – investments accounted for using the equity method | <u>(114,385)</u> | <u>(22,491)</u> |
| Other comprehensive expense for the period | <u>(258,334)</u> | <u>(234,251)</u> |
| Total comprehensive (expense) income for the period | <u>(85,575)</u> | <u>211,341</u> |
| Attributable to: | | |
| Owners of the Company | (84,131) | 281,772 |
| Non-controlling interests | <u>(1,444)</u> | <u>(70,431)</u> |
| | <u>(85,575)</u> | <u>211,341</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | | 30 June 2020 <i>HK\$'000</i> <i>(unaudited)</i> | 31 December 2019 <i>HK\$'000</i> <i>(audited)</i> |
|--|----|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,083,191 | 2,859,418 |
| Land use rights | | 442,046 | 612,740 |
| Investment properties | | 220,523 | 239,487 |
| Investments accounted for using the equity method | 11 | 6,597,969 | 6,558,477 |
| Intangible assets | | 9,520 | 9,846 |
| Deposits paid for acquisition of property, plant and equipment | | 21,951 | 7,269 |
| Deferred tax assets | | 40,895 | 47,213 |
| Equity instruments at fair value through other comprehensive income | 12 | 1,681,955 | 1,683,058 |
| | | 11,098,050 | 12,017,508 |
| Current assets | | | |
| Inventories | | 313,793 | 1,105,629 |
| Amounts due from investments accounted for using the equity method | | 13,008 | 56,872 |
| Amount due from ultimate holding company | | 202 | 299 |
| Amounts due from related companies | | 64,310 | 65,788 |
| Contract assets | | – | 280,979 |
| Trade receivables | 13 | 584,908 | 689,067 |
| Notes receivables | 13 | 285,871 | 437,757 |
| Other receivables, deposits and prepayments | | 136,325 | 465,848 |
| Financial assets at fair value through profit or loss | | 162,694 | 434,979 |
| Structured deposits | 14 | 247,535 | 33,482 |
| Entrusted deposits | 15 | 1,030,668 | 1,283,035 |
| Restricted bank balances | | 181,490 | 329,669 |
| Time deposits with maturity over three months | | 1,987,119 | 2,257,953 |
| Cash and cash equivalents | | 3,396,692 | 3,097,288 |
| | | 8,404,615 | 10,538,645 |
| Assets classified as held for sale | 7 | 2,831,536 | – |
| | | 11,236,151 | 10,538,645 |
| Total assets | | 22,334,201 | 22,556,153 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2020

| | | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| EQUITY | | | |
| Owners of the Company | | | |
| Share capital | | 5,136,285 | 5,136,285 |
| Reserves | | 6,092,837 | 6,226,129 |
| | | <u>11,229,122</u> | <u>11,362,414</u> |
| Non-controlling interests | | <u>4,527,917</u> | <u>4,529,398</u> |
| Total equity | | <u><u>15,757,039</u></u> | <u><u>15,891,812</u></u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 7,368 | 7,348 |
| Bank borrowings | | 1,986,667 | 1,985,417 |
| Deferred tax liabilities | | 215,566 | 236,488 |
| | | <u>2,209,601</u> | <u>2,229,253</u> |
| Current liabilities | | | |
| Trade payables | 16 | 349,199 | 878,762 |
| Notes payables | 16 | 133,196 | 196,818 |
| Other payables and accruals | | 939,337 | 1,194,129 |
| Amounts due to related companies | | 269,215 | 369,349 |
| Contract liabilities | | 712,346 | 1,341,568 |
| Lease liabilities | | 694 | 4,900 |
| Bank borrowings | | – | 371,227 |
| Current tax liabilities | | 49,134 | 78,335 |
| | | <u>2,453,121</u> | <u>4,435,088</u> |
| Liabilities associated with assets classified as held for sale | 7 | <u>1,914,440</u> | <u>–</u> |
| | | <u>4,367,561</u> | <u>4,435,088</u> |
| Total liabilities | | <u><u>6,577,162</u></u> | <u><u>6,664,341</u></u> |
| Total equity and liabilities | | <u><u>22,334,201</u></u> | <u><u>22,556,153</u></u> |
| Net current assets | | <u><u>6,868,590</u></u> | <u><u>6,103,557</u></u> |
| Total assets less current liabilities | | <u><u>17,966,640</u></u> | <u><u>18,121,065</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2019 that is included in this announcement of interim results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, 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.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. SEGMENT INFORMATION

Following the outbreak of novel coronavirus (the “**Coronavirus**”) in early 2020, precautionary and control measures including travel restrictions, quarantine and temporary delays in resumption of work have been taken across the People’s Republic of China (the “**PRC**”). The ongoing Coronavirus outbreak in the PRC and beyond has brought about additional uncertainties in the Group’s operating environment and has impacted the Group’s operations and financial performance for the six months ended 30 June 2020.

As the overall impact of the Coronavirus outbreak is still unfolding, the Group has taken the necessary actions to minimise the disruptions to its operations and will continue to carefully monitor the situation and proactively implement measures to mitigate the impact to the Group’s operations.

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers (the “**CODM**”). The CODM assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services. The following summary describes the operation in each of the Group's reportable segments.

(a) Utilities

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

(b) Pharmaceutical

This segment derives revenue from manufacture and sales of pharmaceutical products as well as design, manufacture and printing for pharmaceutical packaging in the PRC, while the result of the provision of pharmaceutical research and development services of this segment is contributed by Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”), an investment accounted for using the equity method of the Group.

(c) Hotel

This segment derives revenue from operation of a hotel in Hong Kong.

(d) Electrical and mechanical

This segment derives revenue from manufacture and sales of presses, mechanical and hydroelectric equipment as well as large scale pump units.

(e) Port services

The result of this segment is contributed by a listed investment accounted for using the equity method of the Group, Tianjin Port Development Holdings Limited (“**Tianjin Port**”), which provides port services in Tianjin.

(f) Elevators and escalators

The result of this segment is contributed by an investment accounted for using the equity method of the Group, Otis Elevator (China) Investment Company Limited (“**Otis China**”), which manufactures and sells elevators and escalators.

3. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2020 *(unaudited)*

| | Continuing operations | | | | | | | | Total operating segments HK\$'000 |
|---|--|----------------------------|-------------------|---------------------------|--------------------------------------|-----------------------|--|----------------------------------|--------------------------------------|
| | Utilities HK\$'000 <i>(note (i))</i> | Pharmaceutical HK\$'000 | Hotel HK\$'000 | Port services HK\$'000 | Elevators and escalators HK\$'000 | Sub-total HK\$'000 | Electrical and mechanical business HK\$'000 | Electricity business HK\$'000 | |
| Segment revenue | | | | | | | | | |
| – external customers | 677,236 | 738,037 | 14,366 | – | – | 1,429,639 | 271,764 | – | 1,701,403 |
| Operating profit (loss) before interest | 16,330 | 60,809 | (14,504) | – | – | 62,635 | (87,071) | – | (24,436) |
| Interest income | 22,804 | 26,418 | 74 | – | – | 49,296 | 2,404 | – | 51,700 |
| Impairment loss on | | | | | | | | | |
| – property, plant and equipment | – | (457) | – | – | – | (457) | – | – | (457) |
| Impairment loss on intangible assets | – | (22) | – | – | – | (22) | – | – | (22) |
| Impairment loss on inventories | – | (3,240) | – | – | – | (3,240) | (9,312) | – | (12,552) |
| Finance costs | – | (356) | – | – | – | (356) | (6,932) | – | (7,288) |
| Share of net profit (loss) of associates and joint ventures accounted for using the equity method | 12,149 | (6,632) | – | 46,152 | 167,796 | 219,465 | – | – | 219,465 |
| Profit (loss) before tax | 51,283 | 76,520 | (14,430) | 46,152 | 167,796 | 327,321 | (100,911) | – | 226,410 |
| Tax credit (expense) | 70 | (13,634) | – | – | – | (13,564) | 925 | – | (12,639) |
| Segment results | | | | | | | | | |
| – profit (loss) for the period | 51,353 | 62,886 | (14,430) | 46,152 | 167,796 | 313,757 | (99,986) | – | 213,771 |
| Non-controlling interests | (3,506) | (44,368) | – | – | (28,962) | (76,836) | 21,482 | – | (55,354) |
| Profit (loss) attributable to owners of the Company | 47,847 | 18,518 | (14,430) | 46,152 | 138,834 | 236,921 | (78,504) | – | 158,417 |
| Segment results | | | | | | | | | |
| – profit (loss) for the period includes: | | | | | | | | | |
| Depreciation and amortisation | 16,858 | 38,057 | 7,530 | – | – | 62,445 | 28,787 | – | 91,232 |

For the six months ended 30 June 2019 *(unaudited & restated)*

| | Continuing operations | | | | | | | | Total operating segments HK\$'000 |
|---|--|----------------------------|-------------------|---------------------------|--------------------------------------|-----------------------|--|----------------------------------|--------------------------------------|
| | Utilities HK\$'000 <i>(note (i))</i> | Pharmaceutical HK\$'000 | Hotel HK\$'000 | Port services HK\$'000 | Elevators and escalators HK\$'000 | Sub-total HK\$'000 | Electrical and mechanical business HK\$'000 | Electricity business HK\$'000 | |
| Segment revenue | | | | | | | | | |
| – external customers | 746,231 | 1,050,885 | 62,970 | – | – | 1,860,086 | 444,858 | 499,190 | 2,804,134 |
| Operating profit (loss) before interest | 21,169 | 131,049 | 15,793 | – | – | 168,011 | (32,174) | (2,992) | 132,845 |
| Interest income | 8,288 | 12,251 | 7 | – | – | 20,546 | 3,270 | 2,234 | 26,050 |
| Gain on disposal of a subsidiary | – | – | – | – | – | – | – | 136,016 | 136,016 |
| Impairment loss on | | | | | | | | | |
| – property, plant and equipment | – | – | – | – | – | – | (60,005) | – | (60,005) |
| Finance costs | – | (2,841) | – | – | – | (2,841) | (8,902) | – | (11,743) |
| Share of net profit (loss) of associates and joint ventures accounted for using the equity method | 2,563 | (4,887) | – | 62,776 | 184,359 | 244,811 | – | – | 244,811 |
| Profit (loss) before tax | 32,020 | 135,572 | 15,800 | 62,776 | 184,359 | 430,527 | (97,811) | 135,258 | 467,974 |
| Tax (expense) credit | – | (22,876) | – | – | – | (22,876) | 765 | (612) | (22,723) |
| Segment results | | | | | | | | | |
| – profit (loss) for the period | 32,020 | 112,696 | 15,800 | 62,776 | 184,359 | 407,651 | (97,046) | 134,646 | 445,251 |
| Non-controlling interests | (2,639) | (72,431) | – | – | (31,820) | (106,890) | 23,390 | 77 | (83,423) |
| Profit (loss) attributable to owners of the Company | 29,381 | 40,265 | 15,800 | 62,776 | 152,539 | 300,761 | (73,656) | 134,723 | 361,828 |
| Segment results | | | | | | | | | |
| – profit (loss) for the period includes: | | | | | | | | | |
| Depreciation and amortisation | 22,193 | 36,824 | 7,404 | – | – | 66,421 | 32,129 | 17,737 | 116,287 |

3. SEGMENT INFORMATION *(continued)*

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Reconciliation of profit for the period | | |
| Total reportable segments | 213,771 | 445,251 |
| Corporate and others <i>(note (ii))</i> | (41,012) | 341 |
| | <hr/> | <hr/> |
| Profit for the period | 172,759 | 445,592 |
| | <hr/> <hr/> | <hr/> <hr/> |

notes:

- (i) Revenue from supply of water, heat and thermal power amounted to HK\$127,226,000 and HK\$550,010,000 respectively (six months ended 30 June 2019: HK\$166,526,000 and HK\$579,705,000 respectively).

The above revenue included government supplemental income of HK\$93,520,000 (six months ended 30 June 2019: HK\$90,173,000).

- (ii) These principally include (a) results of the Group's other non-core businesses which are not categorised as reportable segments; and (b) corporate level activities including central treasury management, administrative function and exchange gain or loss.

4. OTHER INCOME

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited & restated) |
| Continuing operations | | |
| Interest income | 96,453 | 63,778 |
| Government grants | 949 | – |
| Rental income, net of negligible outgoings | 963 | 2,801 |
| Sales of scrap materials | 280 | – |
| Dividend income from equity instruments at fair value through other comprehensive income | 2,096 | 10,313 |
| Sundries | 11,162 | 3,970 |
| | <hr/> | <hr/> |
| | 111,903 | 80,862 |
| | <hr/> <hr/> | <hr/> <hr/> |

5. OTHER (LOSSES) GAINS , NET

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited & restated) |
| Continuing operations | | |
| Impairment loss on property, plant and equipment | (457) | – |
| Impairment loss on intangible assets | (22) | – |
| Impairment loss on inventories | (3,331) | – |
| (Allowance for) reversal of impairment losses | | |
| – trade receivables | (24,019) | 5,904 |
| – other receivables | 12,930 | – |
| Net loss on disposal/written off of property, plant and equipment | (1,160) | (948) |
| Net gain on financial assets at fair value through profit or loss | | |
| – listed | 1,265 | 15 |
| – unlisted | 22,484 | 20,947 |
| Decrease in fair value of investment properties | (9,934) | – |
| Net exchange (loss) gain | <u>(34,229)</u> | <u>3,388</u> |
| | <u>(36,473)</u> | <u>29,306</u> |

6. TAX EXPENSE

| | Six months ended 30 June | |
|-------------------------------------|---------------------------------|-----------------------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited & restated) |
| Continuing operations | | |
| Current taxation | | |
| – PRC Enterprise Income Tax (“EIT”) | 27,148 | 32,983 |
| Deferred taxation | <u>(3,427)</u> | <u>(34)</u> |
| | <u>23,721</u> | <u>32,949</u> |

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the current interim period (six months ended 30 June 2019: Nil).

The Group’s PRC subsidiaries are subject to EIT at a rate of 25% except for certain subsidiaries which are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

7. ASSETS HELD FOR SALE

(a) Electrical and mechanical business

During the period under review, the management determined that the Group would not have continuing involvement in the electrical and mechanical business and resolved to dispose of the Group's entire interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) ("Tianfa Equipment") and Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("Tianduan"), both are non-wholly owned subsidiaries of the Group, by way of public listing-for-sale process on the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC on 30 March 2020 and 12 June 2020, respectively ("Potential Disposals"). The assets and liabilities attributable to both Tianfa Equipment and Tianduan, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

Up to the date of this announcement, the Group has not entered into any formal agreements regarding the Potential Disposals. Details of the Potential Disposals were disclosed in the Company's announcements dated 27 March 2020 and 11 June 2020, respectively. Upon completion of the Potential Disposals, Tianfa Equipment and Tianduan ceased to be subsidiaries of the Group thereafter.

The loss for the period from electrical and mechanical business is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present electrical and mechanical business as a discontinued operation.

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Revenue | 271,764 | 444,858 |
| Cost of sales | (254,837) | (372,478) |
| Gross profit | 16,927 | 72,380 |
| Other income | 3,120 | 75,737 |
| Other losses, net | (11,535) | (110,894) |
| Selling and distribution expenses | (22,366) | (46,040) |
| General and administrative expenses | (46,125) | (36,230) |
| Other operating expenses | (34,000) | (43,862) |
| Finance costs | (6,932) | (8,902) |
| Loss before tax | (100,911) | (97,811) |
| Tax credit | 925 | 765 |
| Loss for the period | (99,986) | (97,046) |
| Attributable to: | | |
| Owner of the Company | (78,504) | (73,656) |
| Non-controlling interests | (21,482) | (23,390) |
| | (99,986) | (97,046) |
| Loss for the period from electrical and mechanical business includes: | | |
| Auditor's remuneration | 155 | 471 |

7. ASSETS HELD FOR SALE *(continued)*

(a) Electrical and mechanical business *(continued)*

The major classes of assets and liabilities of the business classified as held for sale are as follows:

| | 30 June 2020 <i>HK\$'000</i> <i>(unaudited)</i> |
|--|---|
| Property, plant and equipment | 655,272 |
| Land use rights | 161,121 |
| Deferred tax assets | 7,008 |
| Inventories | 753,194 |
| Contract assets | 199,118 |
| Trade receivables | 296,560 |
| Notes receivables | 115,102 |
| Other receivables, deposits and prepayments | 78,315 |
| Restricted bank balances | 34,731 |
| Cash and cash equivalents | 181,651 |
| | <hr/> |
| Total assets classified as held for sale | 2,482,072 |
| | <hr/> <hr/> |
| Trade payables | 661,364 |
| Notes payables | 86,060 |
| Other payables and accruals | 78,823 |
| Amount due to an investment accounted for using the equity method | 1,336 |
| Amounts due to related parties | 95,173 |
| Contract liabilities | 647,938 |
| Bank borrowings | 274,918 |
| Current tax liabilities | 27,219 |
| Deferred tax liabilities | 22,186 |
| | <hr/> |
| Total liabilities classified as held for sale | 1,895,017 |
| | <hr/> <hr/> |

7. ASSETS HELD FOR SALE (continued)

(b) Electricity business

On 6 December 2018, TEDA Power and Tianjin TEDA Tsinlien Electric Power Co., Ltd. (天津泰達津聯電力有限公司) (“**Tsinlien Electric**”), a non-wholly owned subsidiary of the Group, entered into the absorption and merger agreement, pursuant to which, TEDA Power would absorb and merge with Tsinlien Electric, and TEDA Power would be the surviving company upon completion of the merger and would take up and assume all the assets, liabilities and business operations of Tsinlien Electric, which would then be deregistered and cease to exist as a legal entity (the “**Merger**”). Upon the completion of the Merger, the equity interest of TEDA Power is owned as to approximately 47.09% and 52.91% by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) respectively.

The Merger was completed on 22 April 2019 and the Group recognised a disposal gain of HK\$136,016,000. The Group’s 47.09% equity interest in TEDA Power was recognised as an investment accounted for using the equity method with the amount of HK\$1,284,683,000.

The net assets of Tsinlien Electric at the date of disposal were as follows:

| | <i>HK\$’000</i> <i>(audited)</i> |
|---|-------------------------------------|
| Analysis of assets and liabilities: | |
| Property, plant and equipment | 465,585 |
| Land use rights | 12,243 |
| Deferred tax assets | 30,950 |
| Inventories | 23 |
| Amounts due from related parties | 149,513 |
| Trade and other receivables | 516,378 |
| Cash and cash equivalents | 229,311 |
| Trade and other payables | (99,503) |
| Contract liabilities | (66,394) |
| Dividend payable | (52,378) |
| Current tax liabilities | (18,706) |
| | <hr/> |
| Net assets disposed of | 1,167,022 |
| | <hr/> <hr/> |
| Gain on disposal of a subsidiary: | |
| Net assets disposed of | (1,167,022) |
| An investment accounted for using the equity method | 1,284,683 |
| Non-controlling interests | 65,813 |
| Capital gain tax provision | (45,870) |
| Transaction costs | (1,588) |
| | <hr/> |
| Gain on disposal | 136,016 |
| | <hr/> <hr/> |
| Net cash outflow arising on disposal: | |
| Bank balances and cash disposed of | (229,311) |
| | <hr/> <hr/> |

7. **ASSETS HELD FOR SALE** *(continued)*

(b) Electricity business *(continued)*

The results from electricity business for the preceding interim period were set out below.

| | For the period from 1 January to 22 April 2019 <i>HK\$'000</i> <i>(audited)</i> |
|-------------------------------------|---|
| Revenue | 499,190 |
| Cost of sales | <u>(497,510)</u> |
| Gross profit | 1,680 |
| Other income | 3,754 |
| Selling and distribution expenses | (3,732) |
| General and administrative expenses | (2,414) |
| Other operating expenses | <u>(46)</u> |
| Loss before tax | (758) |
| Tax expense | <u>(612)</u> |
| Loss for the period | <u><u>(1,370)</u></u> |
| Attributable to: | |
| Owners of the Company | (1,293) |
| Non-controlling interests | <u>(77)</u> |
| | <u><u>(1,370)</u></u> |

7. ASSETS HELD FOR SALE (continued)

(c) Tianjin Heavenly Palace Winery Co., Ltd.

On 18 June 2020, the Company entered into a conditional state-owned equity transfer agreement with Tianjin Food Group Co., Ltd. (天津食品集團有限公司) (“**Tianjin Food**”), a fellow subsidiary of Tsinlien Group Company Limited (an immediate holding company of the Company), pursuant to which, the Company had conditionally agreed to sell the entire equity interest of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄酒有限公司) (“**Heavenly Palace**”), a direct wholly-owned subsidiary of the Company, to Tianjin Food at a cash consideration of RMB331,922,200 (equivalent to approximately HK\$360,785,000) (the “**Disposal**”). The consideration was determined with reference to the appraised net asset value of Heavenly Palace and the dividend receivable by the Company in an aggregate sum of RMB149,955,090 (equivalent to approximately HK\$162,994,663) payable by Heavenly Palace. The assets and liabilities attributable to Heavenly Palace and its investments accounted for using the equity method, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. As Heavenly Palace does not represent a major line of business or geographical area of operation, the Disposal does not constitute a discontinued operation. The net proceeds of the Disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised. The Disposal has been approved by the shareholders of the Company at an extraordinary general meeting held on 17 August 2020. Upon completion of the Disposal, Heavenly Palace ceased to be a subsidiary of the Group thereafter.

The major classes of assets and liabilities of Heavenly Palace classified as held for sale are as follows:

| | 30 June 2020 HK\$'000 (unaudited) |
|---|---|
| Property, plant and equipment | 94 |
| Investments accounted for using the equity method | 26,304 |
| Inventories | 1,057 |
| Amounts due from investments accounted for using the equity method | 48,441 |
| Trade receivables | 4,056 |
| Other receivables, deposits and prepayments | 53,414 |
| Cash and cash equivalents | 216,098 |
| | <hr/> |
| Total assets classified as held for sale | 349,464 |
| | <hr/> <hr/> |
| Trade payables | 759 |
| Other payables and accruals | 18,638 |
| Current tax liabilities | 26 |
| | <hr/> |
| Total liabilities classified as held for sale | 19,423 |
| | <hr/> <hr/> |

8. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited & restated) |
| Profit for the period from continuing operations is arrived at after charging: | | |
| Employee' benefits expense (including directors' emoluments) | 185,276 | 219,405 |
| Cost of inventories recognised as an expense | 761,474 | 776,994 |
| Depreciation of property, plant and equipment | 69,722 | 73,807 |
| Depreciation of land use rights | 2,277 | 2,379 |
| Amortisation of intangible assets | 121 | 583 |
| Short-term lease expenses on | | |
| – plants, pipelines and networks | 17,891 | 30,962 |
| – land and buildings | 3,617 | 4,954 |
| Research and development costs charged to other operating expenses | 46,374 | 79,777 |
| | <u>46,374</u> | <u>79,777</u> |

9. EARNINGS PER SHARE

For continuing operations, electrical and mechanical business and electricity business

The calculation of the basic and diluted earnings per share from continuing operations, electrical and mechanical business and electricity business attributable to owners of the Company is based on the following data:

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Earnings | | |
| Profit attributable to owners of the Company for the purpose of basic earnings per share | | |
| – from continuing operations, electrical and mechanical business and electricity business | 114,549 | 360,640 |
| Effect of dilutive earnings per share: | | |
| – adjustment in relation to share options issued by an investment accounted for using the equity method of the Group | – | – |
| Profit attributable to owners of the Company for the purpose of diluted earnings per share | | |
| – from continuing operations, electrical and mechanical business and electricity business | 114,549 | 360,640 |
| Number of shares | Thousand | Thousand |
| Number of ordinary shares for the purpose of basic and diluted earnings per share | <u>1,072,770</u> | <u>1,072,770</u> |

9. EARNINGS PER SHARE *(continued)*

For continuing operations

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

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited & restated) |
| Earnings | | |
| Profit attributable to owners of the Company for the purpose of basic earnings per share | | |
| – from continuing operations | 193,053 | 299,573 |
| Effect of dilutive earnings per share: | | |
| – adjustment in relation to share options issued by an investment accounted for using the equity method of the Group | – | – |
| Profit attributable to owners of the Company for the purpose of diluted earnings per share | | |
| – from continuing operations | 193,053 | 299,573 |
| Number of shares | | |
| | Thousand | Thousand |
| Number of ordinary shares for the purpose of basic and diluted earnings per share | 1,072,770 | 1,072,770 |

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

For electrical and mechanical business

Basic losses per share for the electrical and mechanical business is HK7.32 cents per share (six months ended 30 June 2019: HK6.87 cents) and diluted losses per share for the electrical and mechanical business is HK7.32 cents per share (six months ended 30 June 2019: HK6.87 cents) based on the losses for the period attribute to owners of the Company from the electrical and mechanical business of HK\$78,504,000 (six months ended 30 June 2019: HK\$73,656,000) and the denominators detailed above for both basic and diluted losses per share.

For electricity business

During the six months ended 30 June 2019, basic earnings per share for the electricity business was HK12.56 cents and diluted earnings per share for the electricity business was HK12.56 cents based on the profit for the period attribute to owners of the Company from the electricity business of HK\$134,723,000 and the denominators detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

| Six months ended 30 June | |
|---------------------------------|--------------------|
| 2020 | 2019 |
| HK\$'000 | HK\$'000 |
| (unaudited) | (unaudited) |

Dividends recognised as distribution during the period:

| | | |
|--|---------------|--------|
| – 2019 final dividend, paid HK4.78 cents per share (2018: HK4.78 cents per share) | 51,278 | 51,278 |
|--|---------------|--------|

Subsequent to the end of the reporting period, the Board has declared an interim dividend of HK3.00 cents per share (six months ended 30 June 2019: HK3.26 cents per share), amounting to approximately HK\$32,183,000 (six months ended 30 June 2019: HK\$34,972,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 30 September 2020.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| 30 June | 31 December |
|--------------------|--------------------|
| 2020 | 2019 |
| HK\$'000 | HK\$'000 |
| (unaudited) | (audited) |

The Group's interests in associates and joint ventures

| | | |
|------------------------------|------------------|-----------|
| – Listed shares in Hong Kong | | |
| – Tianjin Port | 3,345,961 | 3,387,904 |
| – Unlisted shares in the PRC | | |
| – Otis China | 894,961 | 746,406 |
| – Research Institute | 803,797 | 830,323 |
| – TEDA Power | 1,233,200 | 1,244,313 |
| – Others | 320,050 | 349,531 |
| | 6,597,969 | 6,558,477 |

Interests in Tianjin Port at the end of the reporting period included goodwill of HK\$520,729,000, net of impairment losses (31 December 2019: HK\$520,729,000, net of impairment losses).

12. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | | 30 June 2020 | 31 December 2019 |
|--------------------------|--------------|-------------------------|---------------------|
| | | HK\$'000 | HK\$'000 |
| | <i>notes</i> | (unaudited) | (audited) |
| Equity securities | | | |
| Listed, at market value | (i) | 84,444 | 98,135 |
| Unlisted | (ii) | 1,597,511 | 1,584,923 |
| | | 1,681,955 | 1,683,058 |

notes:

- (i) The listed securities mainly represent the Group's 4.07% (31 December 2019: 4.69%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.

As at 30 June 2020, the market value of the Group's equity interest in Binhai Investment was HK\$63,354,000 (31 December 2019: HK\$80,433,000) and the unrealised fair value loss of HK\$17,079,000 (six months ended 30 June 2019: unrealised fair value gain of HK\$551,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's investment in 12.15% (31 December 2019: 12.15%) equity interest in Tasly Holding Group Co., Ltd. ("**Tasly Holding**"). Tasly Holding is a conglomerate in the PRC and its main asset is investment in Tasly Pharmaceutical Group Co., Ltd., which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical products in the PRC.

Other unlisted equity securities are principally equity instruments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. The unlisted equity instruments are measured at fair value.

13. TRADE RECEIVABLES AND NOTES RECEIVABLES

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

| | 30 June 2020 | 31 December 2019 |
|-----------------|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Within 30 days | 353,888 | 914,947 |
| 31 to 90 days | 160,935 | 42,722 |
| 91 to 180 days | 144,234 | 50,953 |
| 181 to 365 days | 195,464 | 112,353 |
| Over 1 year | 16,258 | 5,849 |
| | 870,779 | 1,126,824 |

Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 days are granted to corporate customers of the Group's hotel business; (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (iii) 30 to 180 days are granted to customers in the pharmaceutical segment. No credit terms are granted to customers in the utilities segment.

14. STRUCTURED DEPOSITS

As at 30 June 2020, the Group placed with four licensed commercial banks (31 December 2019: one) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 12 months (31 December 2019: 6 month) after the end of the reporting period of HK\$247,535,000 (31 December 2019: HK\$33,482,000). The expected annual interest rate for the structured deposits is indicated at 2.03% to 4.40% (31 December 2019: 4.40%), however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss.

15. ENTRUSTED DEPOSITS

As at 30 June 2020, the entrusted deposits were placed in seven financial institutions (31 December 2019: seven financial institutions) in the PRC, with maturity from 4 to 15 months (31 December 2019: 1 to 6 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.0% to 8.7% (31 December 2019: 6.0% to 8.5%) per annum.

Deposits with maturity over one year confer the Group rights of early redemption before the maturity date. Accordingly, those deposits were classified as current assets. The entrusted deposits were accounted for as financial assets at fair value through profit or loss.

16. TRADE PAYABLES AND NOTES PAYABLES

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

| | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|----------------|--|--|
| Within 30 days | 37,446 | 338,984 |
| 31 to 90 days | 41,592 | 163,061 |
| 91 to 180 days | 81,272 | 207,305 |
| Over 180 days | <u>322,085</u> | <u>366,230</u> |
| | <u>482,395</u> | <u>1,075,580</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operated in the Tianjin Economic and Technological Development Area (“**TEDA**”) through supplying water, heat and thermal power as well as electricity to industrial, commercial and residential customers.

TEDA, located at the centre of Bohai economic rim and also at the intersection of Beijing-Tianjin-Hebei metropolitan regions, is a national development zone and an ideal place for manufacturing and R&D developments. TEDA plays a leading role over the past three decades in Tianjin's economic development.

Water

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

For the six months ended 30 June 2020, revenue from the Water Company declined by HK\$39.3 million compared with that of the same period last year to approximately HK\$127.2 million. Profit increased from HK\$6.3 million in the six months ended 30 June 2019 to approximately HK\$9.8 million in the six months ended 30 June 2020, primarily attributable to lower operating costs and higher interest income, partially offset by the lower volumes of water sold during the period. The total quantity of water sold for the period was approximately 21,089,000 tonnes, a decline of 18% over the same period last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (“**Heat & Power Company**”) is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 462 kilometres and more than 120 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

During the period under review, revenue from the Heat & Power Company was approximately HK\$550 million, a 5.1% below that of the same period last year. Profit increased from HK\$23.1 million in the six months ended 30 June 2019 to approximately HK\$29.4 million in the six months ended 30 June 2020. The result was mainly attributable to increase in ancillary services income and higher interest income, partly offset by lower volumes of steam sold during the period. The total quantity of steam sold for the period was approximately 2,004,000 tonnes, a decrease of 3.5% over the same period last year.

Electricity

In December 2018, pursuant to an absorption and merger agreement dated 6 December 2018 entered into between Tianjin TEDA Tsinlien Electric Power Co., Ltd. (“**Electricity Company**”) and Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“**TEDA Power**”), TEDA Power absorbed and merged with Electricity Company while TEDA Power was the surviving company upon completion of the merger and assumed all the assets, liabilities and business operations of Electricity Company which was subsequently dissolved and deregistered (the “**Merger**”). Upon the completion of Merger on 22 April 2019, TEDA Power was owned as to approximately 47.09% and 52.91% equity interest respectively by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), and became an investment accounted for using the equity method of the Group thereafter. As a result of the Merger, the Group recognised a gain, together with the result from Electricity Company up to the date of Merger, amounted in aggregate to approximately HK\$134.6 million, which has been disclosed and presented as profit from Electricity Business in the Group’s condensed consolidated statement of profit or loss.

TEDA Power is principally engaged in supply of electricity in TEDA. It also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services. Currently, the installed transmission capacity of TEDA Power is approximately 946,000 kVA. During the period under review, TEDA Power contributed to the Group a profit of approximately HK\$12.1 million.

Pharmaceutical

Pharmaceutical segment is principally engaged in the manufacture and sale of chemical drugs as well as design, manufacture and printing for pharmaceutical packaging in the PRC, and also participates in the business of research and development of new medicine technology and new products through its 35% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”).

During the period under review, the segment revenue was approximately HK\$738 million, a decline of 29.8% from HK\$1,050.9 million in the same period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$667.4 million, a decline of 31.7% from HK\$976.8 million in the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$70.6 million, a decrease of 4.7% over the corresponding period last year. Profit from pharmaceutical segment was approximately HK\$62.9 million compared to HK\$112.7 million in the same period last year. The results was primarily due to lower revenue from sale of pharmaceutical products due to weaker demand as a result of the outbreak of the novel coronavirus (the “**Coronavirus**”) at the beginning of the year and the increasingly fierce competition in the pharmaceutical industry arising from gradual implementation of centralised drug procurement program, partially offset by lower of selling and distribution expenses as well as general and administrative expenses. During the period under review, pharmaceutical segment shared a loss from Research Institute of approximately HK\$12.5 million.

Hotel

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

For the six months ended 30 June 2020, revenue from Courtyard Hotel declined by HK\$48.6 million to approximately HK\$14.4 million compared with that of the same period last year and it reported a loss of approximately HK\$14.4 million compared to a profit of HK\$15.8 million in the corresponding period last year. The result was mainly due to the ongoing Coronavirus situation and its adverse impact on cross border and international travel. The average occupancy rate was 26.6% compared with 91.4% for the corresponding period last year, and the average room rate was declined.

Electrical and Mechanical

Electrical and mechanical segment is principally engaged in the manufacture and sale of presses, mechanical and hydroelectric equipment as well as large scale pump units in the PRC.

For the six months ended 30 June 2020, revenue from electrical and mechanical segment was approximately HK\$271.8 million, a decrease of 38.9% over the same period last year. Loss from electrical and mechanical segment was approximately HK\$100 million compared to a loss of HK\$97 million in the same period last year. The segment loss stemmed from lower revenue due to the slowdown in the sector as a result of the outbreak of Coronavirus during the period under review.

During the period under review, the management determined that the Group would not have continuing involvement in the electrical and mechanical business and resolved to dispose of the Group’s entire interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) (“**Tianfa Equipment**”) and Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) (“**Tianduan**”) by way of public listing-for-sale process on the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC on 30 March 2020 and 12 June 2020, respectively (“**Potential Disposals**”). The assets and liabilities attributable to both Tianfa Equipment and Tianduan, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

Up to the date of this announcement, the Group has not entered into any formal agreements regarding the Potential Disposals. Details of the Potential Disposals were disclosed in the Company’s announcements dated 27 March 2020 and 11 June 2020, respectively.

Strategic and Other Investments

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited (“**Tianjin Port**”) (stock code: 3382) decreased by 10.8% to approximately HK\$6,323.4 million and profit attributable to owners of Tianjin Port was approximately HK\$219.8 million, compared with HK\$273.3 million in the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$46.2 million, representing a decline of 26.5% over the corresponding period last year.

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited (“**Otis China**”) amounted to approximately HK\$9,564.5 million, representing an increase of 1.4% over the corresponding period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$138.8 million, representing a decrease of 9% over the same period in 2019.

Investment in Binhai Investment Company Limited

During the period under review, the Group had 4.07% interest in Binhai Investment Company Limited (“**Binhai Investment**”) (stock code: 2886). As at 30 June 2020, the market value of the Group’s interest in Binhai Investment was approximately HK\$63.4 million (31 December 2019: approximately HK\$80.4 million) and the unrealised fair value loss of approximately HK\$17.1 million was recognised in other comprehensive income.

Investment in Tasly Holding Group Co., Ltd.

During the period under review, the Group had 12.15% equity interest in Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) (“**Tasly Holding**”), a non-core passive investment in relation to the Group’s pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥有限公司). Tasly Holding is a conglomerate established under the laws of the PRC on 30 March 2000 and its principal asset includes the holding of 683,481,524 A shares in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司) (“**Tasly Pharmaceutical**”), representing approximately 45.18% of its total issued A shares. Tasly Pharmaceutical is principally engaged in the research and development, manufacturing and distribution of pharmaceutical products in the PRC.

At the date of initial application of the Hong Kong Financial Reporting Standard 9 – Financial Instruments on 1 January 2018, the carrying amount of investment in Tasly Holding was HK\$191.5 million and was reclassified from available-for-sale financial assets to equity instruments at fair value through other comprehensive income. As at 30 June 2020, the fair value of investment in Tasly Holding was approximately HK\$1,495.2 million (31 December 2019: HK\$1,473.4 million), accounting for approximately 6.7% of the Group’s total assets, and on that date the fair value gain of approximately HK\$49.7 million has been recognised in other comprehensive income. During the period under review, the Group did not received dividend income from Tasly Holding for the year ended 31 December 2019 (2019: HK\$13.8 million). The holding of 12.15% equity interest in Tasly Holding is not held for trading and not expected to be sold in the foreseeable future.

PROSPECT

The ongoing global spread of novel coronavirus has led to an unprecedented contraction in global economic activities. The global economy is experiencing a profound adjustment and sluggish recovery. The external environment continues to face numerous heightened uncertainties. China's epidemic prevention and control measures have achieved positive results. As the internal and external economic conditions remain complicated and unpredictable, China's economic development will face significant challenges in the short term. However, with the gradual implementation of various economic measures, it will help China achieve steady progress towards economic recovery.

The Company will continue to pursue a strategy of stable growth. While solidifying its existing businesses and strengthening financial position, the Company will dedicate to internal reorganisation. Meanwhile, the Company will also actively involve in the reform and promotion of a new era of high-quality development in Tianjin City so as to seize the new development opportunities ahead and lay a solid foundation for its steady and sustainable development.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 30 June 2020, the Group's total cash on hand and total bank borrowings, including both continuing and discontinued operations, stood at approximately HK\$5,997.8 million and approximately HK\$2,261.6 million respectively (31 December 2019: approximately HK\$5,684.9 million and HK\$2,356.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings, including both continuing and discontinued operations, of HK\$274.9 million (31 December 2019: approximately HK\$371.2 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 20.1% as at 30 June 2020 (31 December 2019: approximately 20.7%).

Of total HK\$2,261.6 million bank borrowings outstanding as at 30 June 2020, HK\$1,986.7 million were subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods and RMB251 million (equivalent to approximately HK\$274.9 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 30 June 2020, 87.8% (31 December 2019: 84.2%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 12.2% (31 December 2019: 15.8%) was denominated in Renminbi.

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

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

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 3,630 employees of which approximately 382 were management personnel and 1,240 were technical staff, with the balance being production workers.

The Group contributes to the employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to the mandatory provident fund scheme for its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 30 June 2020, restricted bank balances, land use rights and buildings of HK\$216.2 million, HK\$63.9 million and HK\$161.8 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.00 cents per share for the six months ended 30 June 2020 (30 June 2019: HK3.26 cents per share) to the shareholders whose names appear on the Company's register of members on 30 September 2020. The interim dividend will be paid on 30 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2020 (Monday) to 30 September 2020 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 25 September 2020 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 30 June 2020.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

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

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group’s independent auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed with the management the effectiveness of the Company’s risk management and internal control systems, auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

By Order of the Board
Tianjin Development Holdings Limited
Wang Zhiyong
Chairman and Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the Board of the Company consists of Mr. Wang Zhiyong, Mr. Chen Yanhua, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive director*

** *independent non-executive director*