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 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$4,078,375,000 (30 June 2017: HK$3,247,962,000).
- Profit attributable to owners of the Company amounted to approximately HK$221,444,000 (30 June 2017: HK$284,137,000).
- Basic earnings per share were HK20.64 cents (30 June 2017: HK26.49 cents).
- Interim dividend of HK3.26 cents per share (30 June 2017: HK4.08 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 2018 together with the comparative figures for the corresponding period in 2017 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	***(unaudited)***	*(unaudited)*
Revenue	*3*	**4,078,375**	3,247,962
Cost of sales		**(2,890,446)**	(2,498,027)
Gross profit		**1,187,929**	749,935
Other income	*4*	**103,205**	88,493
Other (losses) gains, net	*5*	**(14,325)**	56,337
Selling and distribution expenses		**(604,243)**	(272,817)
General and administrative expenses		**(295,477)**	(321,224)
Other operating expenses		**(188,561)**	(123,872)
Finance costs		**(39,389)**	(31,096)
Share of profit (loss) of			
Associates		**206,095**	239,841
Joint ventures		**(4,917)**	(4,218)
Profit before tax		**350,317**	381,379
Tax expense	*6*	**(44,730)**	(33,822)
Profit for the period	*7*	**305,587**	347,557
Attributable to:			
Owners of the Company		**221,444**	284,137
Non-controlling interests		**84,143**	63,420
		305,587	347,557
		HK cents	*HK cents*
Earnings per share	*8*		
Basic		**20.64**	26.49
Diluted		**20.64**	26.46

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**4,589,209**	4,729,552
Land use rights		**487,037**	496,571
Investment properties		**176,222**	177,698
Interests in associates	*10*	**5,002,340**	5,013,540
Interests in joint ventures		**33,431**	38,492
Intangible assets		**79,655**	78,717
Deposits paid for acquisition of property, plant and equipment		**35,685**	21,182
Deferred tax assets		**93,320**	93,409
Available-for-sale financial assets	*11*	**–**	415,646
Equity instruments at fair value through other comprehensive income	*11*	**2,554,645**	–
Goodwill		**1,483**	1,495
		13,053,027	11,066,302
Current assets			
Inventories		**1,112,028**	586,705
Amounts due from joint ventures		**55,047**	54,634
Amount due from ultimate holding company		**524**	260
Amounts due from related companies		**53,378**	48,038
Contract assets		**395,790**	–
Amounts due from customers for contract work		**–**	572,533
Trade receivables	*12*	**706,912**	921,465
Notes receivables	*12*	**427,871**	334,108
Other receivables, deposits and prepayments		**427,794**	590,998
Financial assets at fair value through profit or loss		**231,200**	388,603
Structured deposits	*13*	**970,344**	–
Entrusted deposits	*14*	**1,022,538**	645,933
Restricted bank balances		**237,256**	94,496
Time deposits with maturity over three months		**1,782,074**	1,403,018
Cash and cash equivalents		**3,823,773**	5,898,551
		11,246,529	11,539,342
Total assets		**24,299,556**	22,605,644

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2018

	Note	**30 June 2018** *HK$'000* *(unaudited)*	31 December 2017 *HK$'000* *(audited)*
EQUITY			
Owners of the Company			
Share capital		**5,136,285**	5,136,285
Reserves		**6,447,777**	5,840,170
		11,584,062	10,976,455
Non-controlling interests		**4,913,015**	3,770,735
Total equity		**16,497,077**	14,747,190
LIABILITIES			
Non-current liabilities			
Defined benefit obligations		**52,852**	53,650
Deferred income		**66,022**	107,826
Bank borrowings		**1,858,324**	1,856,616
Deferred tax liabilities		**360,803**	37,772
		2,338,001	2,055,864
Current liabilities			
Trade payables	*15*	**1,131,196**	1,243,866
Notes payables	*15*	**70,482**	77,031
Other payables and accruals		**1,763,510**	2,775,699
Amounts due to related companies		**511,702**	824,228
Contract liabilities		**1,398,023**	–
Amounts due to customers for contract work		**–**	230,432
Bank borrowings		**458,162**	491,879
Current tax liabilities		**131,403**	159,455
		5,464,478	5,802,590
Total liabilities		**7,802,479**	7,858,454
Total equity and liabilities		**24,299,556**	22,605,644
Net current assets		**5,782,051**	5,736,752
Total assets less current liabilities		**18,835,078**	16,803,054

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 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

3. SEGMENT INFORMATION

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

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

(a) Utilities

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

(b) Pharmaceutical

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

(c) Hotel

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

(d) Electrical and mechanical

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

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port Development Holdings Limited ("Tianjin Port"), which provides port services in Tianjin.

(f) Elevators and escalators

The result of this segment is contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited ("Otis China"), which manufactures and sells elevators and escalators.

3. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018 *(unaudited)*

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

For the six months ended 30 June 2017 *(unaudited)*

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

3. SEGMENT INFORMATION *(continued)*

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

notes:

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

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

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

4. OTHER INCOME

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

5. OTHER (LOSSES) GAINS, NET

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

6. TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the current interim period (30 June 2017: Nil).

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

7. PROFIT FOR THE PERIOD

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	**221,444**	284,137
Number of shares	***Thousand***	*Thousand*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,072,770**	1,072,770
Effect of dilutive potential ordinary shares: Share options	**44**	1,178
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	**1,072,814**	1,073,948

9. DIVIDENDS

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

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

10. INTERESTS IN ASSOCIATES

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

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

	notes	**30 June 2018** ***HK$'000*** ***(unaudited)***	31 December 2017 *HK$'000* *(audited)*
Equity securities			
Listed, at market value	*(a)*	**106,734**	107,823
Unlisted	*(b)*	**2,447,911**	307,823
		2,554,645	415,646

notes:

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

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

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

12. TRADE RECEIVABLES AND NOTES RECEIVABLES

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

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

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.

13. STRUCTURED DEPOSITS

During the current interim period, the Group placed in six licensed commercial banks (30 June 2017: Nil) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 6 months after the end of the reporting period of HK$1,006,150,000 (30 June 2017: Nil). At maturity, the Company is entitled to receive the principal plus interests. The expected annual interest rate for the structured deposits is indicated at 2.55% to 4.70%, however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss under HKFRS 9.

14. ENTRUSTED DEPOSITS

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

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

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

15. TRADE PAYABLES AND NOTES PAYABLES

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within 30 days	**157,991**	423,581
31 to 90 days	**201,797**	190,381
91 to 180 days	**370,678**	203,238
Over 180 days	**471,212**	503,697
	1,201,678	1,320,897

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Utilities

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

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

Electricity

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

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

Water

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

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

Heat and Thermal Power

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

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

Pharmaceutical

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

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

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

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

The Disposal is not yet completed as at the date of these condensed consolidated financial statements were authorised for issue by the board of directors of the Company. Details of the Disposal were disclosed in the Company's announcement dated 29 May 2018 and 6 August 2018.

Hotel

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

For the six months ended 30 June 2018, revenue from Courtyard Hotel increased by 17.9% to approximately HK$62 million from HK$52.6 million in the same period last year. Profit was approximately HK$14.8 million compared to HK$7.4 million in the corresponding period last year. The average occupancy rate improved to 90% from 85% of same period last year, and the average room rate was also elevated.

Electrical and Mechanical

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

For the six months ended 30 June 2018, revenue from electrical and mechanical segment was approximately HK$562 million, an increase of 13.3% over the corresponding period last year. Loss from electrical and mechanical segment was approximately HK$71.5 million compared to HK$55.4 million in the same period last year. The increase in loss was primarily attributable to high operating costs squeezed margins in hydroelectric equipment business and increase in administrative expenses as well as distribution expenses, which mainly consist of transportation and installation expenses.

Strategic and Other Investments

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) decreased by 8.5% to approximately HK$7,495.6 million and profit attributable to owners of Tianjin Port was approximately HK$406.1 million, representing a decline of 12.8% over the corresponding period last year.

Tianjin Port contributed to the Group a profit of approximately HK$85.9 million, representing a decline of 12.1% over the same period last year.

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited ("Otis China") amounted to approximately HK$8,581.2 million, representing an increase of 4.9% over the corresponding period last year.

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

Investment in Binhai Investment Company Limited

During the period under review, the Group had 4.69% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 2886). As at 30 June 2018, the market value of the Group's interest in Binhai Investment was approximately HK$88.1 million (31 December 2017: approximately HK$85.8 million) and the unrealised fair value loss of approximately HK$7.5 million was recognised in other comprehensive income.

PROSPECT

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

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

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

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

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

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

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

As at 30 June 2018, 77.4% (31 December 2017: 76.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 22.2% (31 December 2017: 23.7%) 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 5,297 employees of which approximately 532 were management personnel and 1,777 were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 30 June 2018, restricted bank balances, notes receivables, land use rights and buildings of HK$237 million, HK$42 million, HK$147 million and HK$482 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.26 cents per share for the six months ended 30 June 2018 (30 June 2017: HK4.08 cents per share) to the shareholders whose names appear on the Company's register of members on 28 September 2018. The interim dividend will be paid on 29 October 2018.

CLOSURE OF REGISTER OF MEMBERS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2018.

Subsequent to the retirement of Mr. Zeng Xiaoping on 31 July 2018, the roles of the Chairman of the Board and the Chairman of the nomination committee are outstanding, which constitute deviations from Code Provisions A.2 and A.5.1 of the CG Code. Further announcement will be made by the Company as and when appropriate in relation to such appointments.

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

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 2018.

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

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group's independent auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed with the management the effectiveness of the Company's risk management and internal control systems, auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

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

Hong Kong, 30 August 2018

As at the date of this announcement, the Board of the Company consists of Mr. Wang Zhiyong, Dr. Cui Di, Dr. Yang Chuan, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, 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*