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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 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$2,304,944,000 (30 June 2018 (restated): HK\$2,809,315,000).
- Profit attributable to owners of the Company amounted to approximately HK\$360,640,000 (30 June 2018: HK\$221,444,000).
- Basic earnings per share were HK33.62 cents (30 June 2018: HK20.64 cents).
- Interim dividend of HK3.26 cents per share (30 June 2018: 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 2019 together with the comparatives figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited & restated)</i>
Continuing operations			
Revenue	3	2,304,944	2,809,315
Cost of sales		<u>(1,411,414)</u>	<u>(1,714,246)</u>
Gross profit		893,530	1,095,069
Other income	4	156,599	100,173
Other losses, net	5	(81,588)	(14,308)
Selling and distribution expenses		(476,982)	(594,932)
General and administration expenses		(224,753)	(240,879)
Other operating expenses		(128,768)	(185,302)
Finance costs		(41,525)	(39,389)
Share of profit (loss) of			
Associates		249,984	206,095
Joint ventures		<u>(3,367)</u>	<u>(4,917)</u>
Profit before tax		343,130	321,610
Tax expense	6	<u>(32,184)</u>	<u>(34,725)</u>
Profit for the period from continuing operations	8	310,946	286,885
Electricity business	7		
Gain on disposal of a subsidiary		136,016	–
(Loss) profit for the period		<u>(1,370)</u>	<u>18,702</u>
Profit for the period from electricity business		134,646	18,702
Profit for the period		<u>445,592</u>	<u>305,587</u>
Profit for the period attributable to owners of the Company			
– from continuing operations		225,917	203,797
– from electricity business		<u>134,723</u>	<u>17,647</u>
Profit for the period attributable to owners of the Company		<u>360,640</u>	<u>221,444</u>
Profit (loss) for the period attributable to non-controlling interests			
– from continuing operations		85,029	83,088
– from electricity business		<u>(77)</u>	<u>1,055</u>
Profit for the period attributable to non-controlling interests		<u>84,952</u>	<u>84,143</u>
		<u>445,592</u>	<u>305,587</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic			
– Continuing operations and electricity business		<u>33.62</u>	<u>20.64</u>
– Continuing operations		<u>21.06</u>	<u>19.00</u>
Diluted			
– Continuing operations and electricity business		<u>33.62</u>	<u>20.64</u>
– Continuing operations		<u>21.06</u>	<u>19.00</u>

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

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	<u>445,592</u>	<u>305,587</u>
Other comprehensive (expense) income		
<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	(249,687)	(91,709)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income	37,921	13,538
Share of other comprehensive income (expense) of an associate		
– fair value through other comprehensive income reserve	13,981	(6,947)
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Currency translation differences		
– the Group	(13,975)	(100,590)
– associates	(22,421)	(33,988)
– joint ventures	(70)	(144)
Other comprehensive expense for the period	<u>(234,251)</u>	<u>(219,840)</u>
Total comprehensive income for the period	<u><u>211,341</u></u>	<u><u>85,747</u></u>
Attributable to:		
Owners of the Company	281,772	84,541
Non-controlling interests	(70,431)	1,206
	<u><u>211,341</u></u>	<u><u>85,747</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2018 <i>HK\$'000</i> <i>(audited)</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		2,961,483	3,334,259
Land use rights		623,470	367,572
Investment properties		190,038	190,895
Interests in associates	11	6,805,298	5,324,496
Interests in joint ventures		24,643	28,081
Intangible assets		17,694	17,854
Deposits paid for acquisition of property, plant and equipment		12,666	8,719
Deferred tax assets		45,274	44,785
Equity instruments at fair value through other comprehensive income	12	1,859,990	2,114,590
Goodwill		1,420	1,427
		12,541,976	11,432,678
Current assets			
Inventories		987,042	910,342
Amounts due from joint ventures		55,593	54,001
Amount due from an associate		–	175,117
Amount due from ultimate holding company		590	284
Amounts due from related companies		63,058	59,236
Contract assets		341,989	379,799
Trade receivables	13	636,356	544,730
Notes receivables	13	540,096	361,169
Other receivables, deposits and prepayments		380,148	581,721
Financial assets at fair value through profit or loss		288,625	463,186
Structured deposits	14	166,477	52,179
Entrusted deposits	15	1,001,136	457,160
Restricted bank balances		180,275	231,063
Time deposits with maturity over three months		2,137,467	1,888,560
Cash and cash equivalents		3,148,960	3,981,992
		9,927,812	10,140,539
Assets classified as held for sale – electricity business		–	1,428,237
		9,927,812	11,568,776
Total assets		22,469,788	23,001,454

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2019

		30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
	<i>Notes</i>		
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves		<u>6,411,208</u>	<u>6,180,714</u>
		11,547,493	11,316,999
Non-controlling interests		<u>4,617,858</u>	<u>4,783,834</u>
Total equity		<u><u>16,165,351</u></u>	<u><u>16,100,833</u></u>
LIABILITIES			
Non-current liability			
Deferred tax liabilities		<u>262,795</u>	<u>301,663</u>
Current liabilities			
Trade payables	16	924,155	987,954
Notes payables	16	110,304	97,533
Other payables and accruals		1,332,520	1,335,665
Amount due to an associate		2,593	–
Amounts due to related companies		282,864	434,446
Contract liabilities		1,218,783	1,154,721
Lease liabilities		9,105	–
Bank borrowings		2,089,034	2,156,606
Current tax liabilities		<u>72,284</u>	<u>148,074</u>
		6,041,642	6,314,999
Liabilities associated with assets classified as held for sale – electricity business		<u>–</u>	<u>283,959</u>
		<u>6,041,642</u>	<u>6,598,958</u>
Total liabilities		<u><u>6,304,437</u></u>	<u><u>6,900,621</u></u>
Total equity and liabilities		<u><u>22,469,788</u></u>	<u><u>23,001,454</u></u>
Net current assets		<u><u>3,886,170</u></u>	<u><u>4,969,818</u></u>
Total assets less current liabilities		<u><u>16,428,146</u></u>	<u><u>16,402,496</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 2018 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 2018 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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in accounting policies and impacts of application on HKFRS 16 “Leases”

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	3,334,259	(248,604)	3,085,655
Land use rights	367,572	261,915	629,487
Current liabilities			
Lease liabilities	–	8,411	8,411
Non-current liability			
Lease liabilities	<u>–</u>	<u>4,900</u>	<u>4,900</u>

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 (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 accounting policies of the reportable segments are the same as those described in the basis of preparation and accounting policies. 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 People’s Republic of China (the “PRC”), while the result of electricity business of this segment is contributed by an associate of the Group, Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“TEDA Power”).

(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 an associate of the Group, Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“Research Institute”).

(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 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 2019 *(unaudited)*

	Continuing operations						Electricity business	Total operating segments	
	Utilities	Pharma- ceutical	Hotel	Electrical and mechanical	Port services	Elevators and escalators	Sub-total		Utilities- electricity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	<i>(note (i))</i>								
Segment revenue									
– external customers	746,231	1,050,885	62,970	444,858	–	–	2,304,944	499,190	2,804,134
Operating profit (loss) before interest	21,169	131,049	15,793	(32,174)	–	–	135,837	(2,992)	132,845
Interest income	8,288	12,251	7	3,270	–	–	23,816	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)	–	(60,005)
Finance costs	–	(2,841)	–	(8,902)	–	–	(11,743)	–	(11,743)
Share of profit (loss) of associates	2,563	(4,887)	–	–	62,776	184,359	244,811	–	244,811
Profit (loss) before tax	32,020	135,572	15,800	(97,811)	62,776	184,359	332,716	135,258	467,974
Tax (expense) credit	–	(22,876)	–	765	–	–	(22,111)	(612)	(22,723)
Segment results									
– profit (loss) for the period	32,020	112,696	15,800	(97,046)	62,776	184,359	310,605	134,646	445,251
Non-controlling interests	(2,639)	(72,431)	–	23,390	–	(31,820)	(83,500)	77	(83,423)
Profit (loss) attributable to owners of the Company	29,381	40,265	15,800	(73,656)	62,776	152,539	227,105	134,723	361,828
Segment results									
– profit (loss) for the period includes:									
Depreciation and amortisation	22,193	36,824	7,404	32,129	–	–	98,550	17,737	116,287

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

	Continuing operations						Electricity business	Total operating segments	
	Utilities	Pharma- ceutical	Hotel	Electrical and mechanical	Port services	Elevators and escalators	Sub-total		Utilities- electricity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	<i>(restated)</i>								
	<i>(note (i))</i>								
Segment revenue									
– external customers	763,526	1,421,727	62,015	562,047	–	–	2,809,315	1,269,060	4,078,375
Operating profit (loss) before interest	19,372	143,171	14,810	(61,800)	–	–	115,553	25,933	141,486
Interest income	4,031	20,723	–	3,790	–	–	28,544	2,774	31,318
Finance costs	–	(7,235)	–	(7,630)	–	–	(14,865)	–	(14,865)
Share of (loss) profit of associates	–	(1,451)	–	–	85,877	117,806	202,232	–	202,232
Profit (loss) before tax	23,403	155,208	14,810	(65,640)	85,877	117,806	331,464	28,707	360,171
Tax expense	(1,501)	(25,064)	–	(5,903)	–	–	(32,468)	(10,005)	(42,473)
Segment results									
– profit (loss) for the period	21,902	130,144	14,810	(71,543)	85,877	117,806	298,996	18,702	317,698
Non-controlling interests	(1,980)	(71,813)	–	12,607	–	(20,333)	(81,519)	(1,055)	(82,574)
Profit (loss) attributable to owners of the Company	19,922	58,331	14,810	(58,936)	85,877	97,473	217,477	17,647	235,124
Segment results									
– profit (loss) for the period includes:									
Depreciation and amortisation	32,188	57,001	7,975	34,758	–	–	131,922	26,747	158,669

3. SEGMENT INFORMATION *(continued)*

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reconciliation of profit for the period		
Total reportable segments	445,251	317,698
Corporate and others <i>(note (ii))</i>	341	(12,111)
	<u>445,592</u>	<u>305,587</u>
Profit for the period	<u><u>445,592</u></u>	<u><u>305,587</u></u>

notes:

- (i) Revenue from supply of water, heat and thermal power amounted to HK\$166,526,000 and HK\$579,705,000 respectively (six months ended 30 June 2018: HK\$176,218,000 and HK\$587,308,000 respectively).

The above revenue included government supplemental income of HK\$90,173,000 (six months ended 30 June 2018: HK\$69,064,000).

- (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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Interest income	67,048	64,432
Government grants	16,988	18,900
Rental income, net of negligible outgoings	2,801	2,501
Sales of scrap materials	2,669	2,714
Dividend income from equity instruments at fair value through other comprehensive income	10,313	4,648
Sundries	56,780	6,978
	<u>156,599</u>	<u>100,173</u>
	<u><u>156,599</u></u>	<u><u>100,173</u></u>

5. OTHER LOSSES, NET

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Impairment loss on property, plant and equipment	(60,005)	–
Allowance for impairment losses		
– trade receivables	(18,953)	(16)
– contract assets	(25,816)	–
Net (loss) gain on disposal/written off of property, plant and equipment	(948)	1,362
Net gain (loss) on financial assets at fair value through profit or loss		
– listed	15	3,841
– unlisted	20,947	(15,790)
Net exchange gain (loss)	3,172	(3,705)
	<u>(81,588)</u>	<u>(14,308)</u>

6. TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Continuing operations		
Current taxation		
– PRC Enterprise Income Tax (“EIT”)	32,983	36,113
Deferred taxation	(799)	(1,388)
	<u>32,184</u>	<u>34,725</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 2018: 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. 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.

At 31 December 2018, the assets and liabilities attributable to Tsinlien Electric that were expected to be merged into TEDA Power within 12 months from the end of that reporting period, were classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position.

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 interest in an associate of HK\$1,284,683,000, which has been adopted equity accounting thereafter.

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

	<i>HK\$’000</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/>
Gain on disposal of a subsidiary:	
Net assets disposed of	(1,167,022)
Interest in an associate	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/>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(229,311)
	<hr/>

7. ELECTRICITY BUSINESS *(continued)*

The result for the period from electricity business for the current and preceding interim periods are set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present electricity business as a discontinued operation.

	For the period from 1 January 2019 to 22 April 2019 HK\$'000 (unaudited)	Six months ended 30 June 2018 HK\$'000 (unaudited)
Revenue	499,190	1,269,060
Cost of sales	<u>(497,510)</u>	<u>(1,172,029)</u>
Gross profit	1,680	97,031
Other income	3,754	3,032
Other losses	–	(17)
Selling and distribution expenses	(3,732)	(13,482)
General and administrative expenses	(2,414)	(54,598)
Other operating expenses	<u>(46)</u>	<u>(3,259)</u>
(Loss) profit before tax	(758)	28,707
Tax expense	<u>(612)</u>	<u>(10,005)</u>
(Loss) profit for the period	<u><u>(1,370)</u></u>	<u><u>18,702</u></u>
Attributable to:		
Owners of the Company	(1,293)	17,647
Non-controlling interests	<u>(77)</u>	<u>1,055</u>
	<u><u>(1,370)</u></u>	<u><u>18,702</u></u>

8. PROFIT FOR THE PERIOD

	Six months ended 30 June 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited & restated)
Profit for the period from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	276,435	330,364
Cost of inventories recognised as an expense	934,631	1,276,612
Depreciation of property, plant and equipment	103,895	132,525
Amortisation of land use rights	4,420	5,392
Amortisation of intangible assets	583	673
Lease expenses on		
– plants, pipelines and networks	31,093	34,014
– land and buildings	4,954	5,374
Research and development costs charged to other operating expenses	<u>110,818</u>	<u>170,846</u>

9. EARNINGS PER SHARE

For continuing operations and electricity business

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Profit attributable to owners of the Company for the purpose of basic earnings per share		
– from continuing operations and electricity business	360,640	221,444
Effect of dilutive earnings per share:		
– adjustment in relation to share options issued by an associate of the Group	–	(11)
	<u>–</u>	<u>(11)</u>
Profit attributable to owners of the Company for the purpose of diluted earnings per share		
– from continuing operations and electricity business	360,640	221,433
	<u>360,640</u>	<u>221,433</u>
Number of shares	Thousand	Thousand
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
	<u>–</u>	<u>44</u>
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	1,072,770	1,072,814
	<u>1,072,770</u>	<u>1,072,814</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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited & restated)
Profit attributable to owners of the Company for the purpose of basic earnings per share		
– from continuing operations	225,917	203,797
Effect of dilutive earnings per share:		
– adjustment in relation to share options issued by an associate of the Group	–	(11)
	<u>–</u>	<u>(11)</u>
Profit attributable to owners of the Company for the purpose of diluted earnings per share		
– from continuing operations	<u>225,917</u>	<u>203,786</u>
	<u>225,917</u>	<u>203,786</u>
Number of shares	Thousand	Thousand
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
	<u>–</u>	<u>44</u>
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	<u>1,072,770</u>	<u>1,072,814</u>

The computation of diluted earnings per share does not assume the exercise of the share options issued by the associate of the Group and the Company because the exercise price of those options was higher than the average market price for the shares of the associate of the Group and the Company, respectively, for the current interim period.

For electricity business

Basic earnings per share for the electricity business is HK12.56 cents per share (six months ended 30 June 2018: HK1.64 cents) and diluted earnings per share for the electricity business is HK12.56 cents per share (six months ended 30 June 2018: HK1.64 cents) based on the profit for the period attributable to owners of the Company from the electricity business of HK\$134,723,000 (six months ended 30 June 2018: HK\$17,647,000) and the denominators detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

Six months ended 30 June	
2019	2018
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Dividends recognised as distribution during the period:

– 2018 final dividend, paid HK4.78 cents per share (2017: HK4.55 cents per share)	51,278	48,811
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Subsequent to the end of the reporting period, the Board has declared an interim dividend of HK3.26 cents per share (six months ended 30 June 2018: HK3.26 cents per share), amounting to approximately HK\$34,972,000 (six months ended 30 June 2018: HK\$34,972,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 27 September 2019.

11. INTERESTS IN ASSOCIATES

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
The Group's interests in associates		
– Listed shares in Hong Kong		
– Tianjin Port	3,415,384	3,386,239
– Unlisted shares in the PRC		
– Otis China	937,685	760,006
– Research Institute	836,778	855,215
– TEDA Power	1,287,203	–
– Others	328,248	323,036
	6,805,298	5,324,496

Interests in Tianjin Port at the end of the reporting period included goodwill of HK\$520,729,000, net of impairment losses (31 December 2018: HK\$520,729,000, net of impairment losses).

12. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		30 June 2019	31 December 2018
		HK\$'000	HK\$'000
	<i>notes</i>	(unaudited)	(audited)
Equity securities			
Listed, at market value	<i>(i)</i>	87,872	85,098
Unlisted	<i>(ii)</i>	1,772,118	2,029,492
		1,859,990	2,114,590

notes:

- (i) The listed securities mainly represent the Group's 4.69% (31 December 2018: 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 2019, the market value of the Group's equity interest in Binhai Investment was HK\$69,414,000 (31 December 2018: HK\$68,863,000) and the unrealised fair value gain of HK\$551,000 (six months ended 30 June 2018: unrealised fair value loss of HK\$7,512,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's 12.15% (31 December 2018: 12.15%) equity interest in Tasly Holding Group Co., Ltd. ("Tasly Holding"). Tasly Holding is a conglomerate in the PRC and is mainly holding 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 product in the PRC.

Other unlisted equity instruments 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 2019	31 December 2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 30 days	517,146	329,280
31 to 90 days	249,103	167,731
91 to 180 days	277,678	213,645
181 to 365 days	103,323	101,687
Over 1 year	29,202	93,556
	1,176,452	905,899

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 2019, the Group placed in four licensed commercial banks (31 December 2018: one) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 3 months (31 December 2018: 1 month) after the end of the reporting period of HK\$166,477,000 (31 December 2018: HK\$52,179,000). The expected annual interest rate for the structured deposits is indicated at 2.30% to 4.05% (31 December 2018: 2.55% to 3.15%), 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 2019, the entrusted deposits were placed with five financial institutions (31 December 2018: three financial institutions) in the PRC, with maturity from 6 to 15 months (31 December 2018: 3 to 17 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.3% to 8.5% (31 December 2018: 6.3% 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 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 30 days	433,200	323,639
31 to 90 days	125,338	195,592
91 to 180 days	159,055	118,582
Over 180 days	<u>316,866</u>	<u>447,674</u>
	<u>1,034,459</u>	<u>1,085,487</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 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

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 equity accounted for an associated company 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\$2.6 million.

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.

During the period under review, revenue from the Water Company was approximately HK\$166.5 million, a 5.5% below that of the same period last year. Profit increased from HK\$0.8 million in the six months ended 30 June 2018 to approximately HK\$6.3 million in the six months ended 30 June 2019, primarily attributable to lower of operating costs and maintenance expenses. The total quantity of water sold for the period was approximately 25,708,000 tonnes, an increase of 1.8% 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.

For the six months ended 30 June 2019, revenue from the Heat & Power Company was approximately HK\$579.7 million, broadly maintained at the same level as corresponding period last year. Profit increased 9.5% to approximately HK\$23.1 million from HK\$21.1 million in the same period last year. The result was mainly attributable to increase in government supplemental income, partly offset by the increase in operating costs. The total quantity of steam sold for the period was approximately 2,077,000 tonnes, an increase of 6.5% over the same period last year.

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”).

For the six months ended 30 June 2019, the segment revenue was approximately HK\$1,050.9 million, a decline of 26.1% from HK\$1,421.7 million in the same period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$976.8 million, a decrease of 25.4% from HK\$1,308.7 million in the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$74.1 million, an increase of 45.9% over the corresponding period last year. Profit from pharmaceutical segment was approximately HK\$112.7 million compared to HK\$130.1 million in the same period last year. The results was primarily due to the absence of revenue of Research Institute from sale of pharmaceutical products and provision of research and development services as well as other pharmaceutical related operations following the completion of the disposal of part of equity interest in Research Institute in October 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 2019, revenue from Courtyard Hotel was approximately HK\$62.9 million, 1.5% higher than the same period last year. Profit increased by 6.8% to approximately HK\$15.8 million from HK\$14.8 million in the corresponding period last year. The average occupancy rate improved to 91.4% from 90% 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 2019, revenue from electrical and mechanical segment was approximately HK\$444.9 million, a decrease of 20.8% over the same period last year. Loss from electrical and mechanical segment was approximately HK\$97 million. Stripping out the gain of HK\$51.6 million on additional compensation in connection with plant relocation and impairment loss of HK\$60 million on property, plant and equipment made related to hydroelectric equipment business as well as the credit loss allowance of approximately HK\$50.7 million, the loss would have been approximately HK\$37.9 million, compared to a loss of HK\$71.5 million in the same period last year on a like-for-like basis. The segment loss stemmed from lower revenue due to the slowdown in the sector during the period under review.

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 5.5% to approximately HK\$7,085.5 million and profit attributable to owners of Tianjin Port was approximately HK\$298.9 million, representing a decrease of 26.4% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$62.8 million, representing a decline of 26.9% 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\$9,436.8 million, representing an increase of 10% over the corresponding period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$152.5 million, representing an increase of 56.4% over the same period in 2018.

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 2019, the market value of the Group’s interest in Binhai Investment was approximately HK\$69.4 million (31 December 2018: approximately HK\$68.9 million) and the unrealised fair value gain of approximately HK\$0.5 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 2019, the fair value of investment in Tasly Holding was approximately HK\$1,674.4 million (31 December 2018: HK\$1,908.8 million), accounting for approximately 7.4% of the Group’s total assets, and on that date the fair value loss of approximately HK\$229.6 million has been recognised in other comprehensive income. During the period under review, the Group’s dividend income from Tasly Holding for the year ended 31 December 2018 was approximately HK\$14.0 million (2017: 21.6 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 global economy is slowing down as international trade tensions persist. The global trade will slack up. The macroeconomy will be encountering increasing instability. In spite of the complex and uncertain external environment, the long term favourable fundamentals of China’s economy remain unchanged, and it is expected that the gradual implementation of a series of policies and measures will have more positive factors for the development of China’s economy at medium-high pace of growth.

With the diversification of state-owned enterprises equity and mixed-ownership reform continuing to deepen, Tianjin Municipal People’s Government will through its state-owned capital operation platform give impetus to the shift in driving forces for economic development and the optimization of industrial structure as well as the increase in operational efficiency of state-owned enterprises. To this end, the position of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) (“Tsinlien Investment Holdings”), a controlling shareholder of the Company and also a state-owned capital management operating company under the Tianjin Municipal People’s Government, and its advantages increasingly manifested itself. Having successfully launched the marketisation of management team selection and recruitment process and smoothly embarked on the research and formulation of development plan for a new era, Tsinlien Investment Holdings will continue to move forward with various reform and economic development in Tianjin City.

The Company will actively involve in the reform and promotion for a new era of high-quality development in Tianjin City by leveraging its strong financial position and the business platform of its controlling shareholder. Meanwhile, the Company will proactively implement the strategy-driven and innovation-driven development plan so as to seize the new development opportunities ahead. The Company will continue to enhance the standards of operation management and its corporate value.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 30 June 2019, the Group's total cash on hand and total bank borrowings stood at approximately HK\$5,466.7 million and approximately HK\$2,089 million respectively (31 December 2018: approximately HK\$6,952.5 million and HK\$2,156.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$2,089 million (31 December 2018: approximately HK\$2,156.6 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 18% as at 30 June 2019 (31 December 2018: approximately 19%).

Of the total HK\$2,089 million bank borrowings outstanding as at 30 June 2019, HK\$1,798.1 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods and RMB256 million (equivalent to approximately HK\$290.9 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 30 June 2019, 86.1% (31 December 2018: 83.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 13.9% (31 December 2018: 16.7%) 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 3,815 employees of which approximately 485 were management personnel and 1,181 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 2019, restricted bank balances, land use rights and buildings of HK\$180.3 million, HK\$66.5 million and HK\$363.1 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 2019 (30 June 2018: HK3.26 cents per share) to the shareholders whose names appear on the Company's register of members on 27 September 2019. The interim dividend will be paid on 28 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 September 2019 (Wednesday) to 27 September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2019 (Tuesday).

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 2019.

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 2019 except that 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 were outstanding, which deviated from code provisions A.2 and A.5.1 of the CG Code.

Following the appointments of Mr. Wang Zhiyong as Chairman of the Board as well as Chairman of the Nomination Committee and Mr. Chen Yanhua as Executive Director and General Manager of the Company on the date of this announcement, the Company has complied with the code provisions as set out in the CG Code as of today.

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 2019.

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 2019.

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

Hong Kong, 29 August 2019

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. 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*