天津港發展控股有限公司

Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Total cargo throughput handled was 432.57 million tonnes, of which total container throughput was 15.036 million TEUs.
- Revenue was HK$16,622 million.
- Profit attributable to equity holders of the Company was HK$775 million.
- Basic earnings per share of HK12.6 cents.
- Proposed final dividend of HK5.03 cents per share, representing a payout ratio of 40%.

The board of directors (the "Board") of Tianjin Port Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	*2*	**16,621,811**	16,456,982
Business tax and surcharge		**(18,318)**	(39,105)
Cost of sales		**(12,961,777)**	(11,848,641)
Gross profit		**3,641,716**	4,569,236
Other income and gains	*3*	**516,882**	226,382
Administrative expenses		**(1,912,589)**	(1,979,661)
Other operating expenses		**(50,760)**	(320,216)
Operating profit		**2,195,249**	2,495,741
Finance costs	*4*	**(571,887)**	(584,608)
Share of net profit of associates and joint ventures accounted for using the equity method		**502,577**	448,108
Profit before income tax		**2,125,939**	2,359,241
Income tax	*6*	**(471,273)**	(571,717)
Profit for the year		**1,654,666**	1,787,524
Profit attributable to:			
Equity holders of the Company		**774,592**	530,479
Non-controlling interests		**880,074**	1,257,045
		1,654,666	1,787,524
Earnings per share	*8*		
Basic (HK cents)		**12.6**	8.6
Diluted (HK cents)		**12.6**	8.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**1,654,666**	1,787,524
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of available-for-sale financial assets	**305,261**	(10,356)
Currency translation differences	**1,739,604**	(1,610,056)
Other comprehensive income/(loss) for the year, net of tax	**2,044,865**	(1,620,412)
Total comprehensive income for the year	**3,699,531**	167,112
Total comprehensive income attributable to:		
Equity holders of the Company	**1,678,742**	(219,777)
Non-controlling interests	**2,020,789**	386,889
	3,699,531	167,112

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**6,334,061**	5,686,092
Property, plant and equipment		**19,834,777**	18,960,072
Intangible assets		**69,909**	65,043
Investments accounted for using the equity method		**5,972,997**	5,421,257
Available-for-sale financial assets		**958,574**	518,458
Deferred income tax assets		**63,520**	91,491
		33,233,838	30,742,413
Current assets			
Inventories		**237,647**	171,930
Trade and other receivables	*9*	**3,234,034**	3,583,555
Restricted bank deposits		**49,742**	14,477
Time deposits with maturity over three months		**573,860**	1,286,752
Cash and cash equivalents		**10,118,303**	6,537,380
		14,213,586	11,594,094
Total assets		**47,447,424**	42,336,507
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**615,800**	615,800
Other reserves		**4,625,214**	3,680,926
Retained earnings		**7,484,124**	6,840,676
		12,725,138	11,137,402
Non-controlling interests		**14,237,699**	12,978,991
Total equity		**26,962,837**	24,116,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**8,823,898**	11,428,366
Deferred income tax liabilities		**483,652**	321,095
Other long-term liabilities		**23,589**	21,462
		9,331,139	11,770,923
Current liabilities			
Trade and other payables	*10*	**3,447,745**	3,224,483
Current income tax liabilities		**120,725**	137,223
Borrowings		**7,584,978**	3,087,485
		11,153,448	6,449,191
Total liabilities		**20,484,587**	18,220,114
Total equity and liabilities		**47,447,424**	42,336,507
Net current assets		**3,060,138**	5,144,903
Total assets less current liabilities		**36,293,976**	35,887,316

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are carried at fair value.

(a) The Group has adopted the following amendments for the accounting period beginning on 1 January 2017:

HKAS 7 (Amendment)	*Statement of Cash Flows – Disclosure Initiative*
HKAS 12 (Amendment)	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
HKFRS 12 (Amendment)	*As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle*

The adoption of these amendments has no significant impact on the results and financial position of the Group for the current or prior years.

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

HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2014 - 2016 Cycle except HKFRS 12 (Amendment)*[1]
HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2015 - 2017 Cycle*[2]
HKAS 28 (Amendment)	*Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*[2]
HKAS 40 (Amendment)	*Investment Property – Transfer of Investment Property*[1]
HKFRS 2 (Amendment)	*Share-based Payment – Classification and Measurement of Share-based Payment Transactions*[1]
HKFRS 4 (Amendment)	*Insurance Contracts – Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9 (2014)	*Financial Instruments*[1]
HKFRS 9 (Amendments)	*Financial Instruments – Prepayment Features with Negative Compensation*[2]
HKFRS 10 (Amendment) and HKAS 28 (2011) (Amendment)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Based on the assessments undertaken to date, the Group does not expect significant financial impact arising from the change in the policy adopted by the Group.

HKFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to customers. Based on the assessments undertaken to date, the Group does not expect significant financial impact arising from the change in revenue recognition policy adopted by the Group.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group has not yet quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows on adoption of HKFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

2. SEGMENT INFORMATION

Segment information has been prepared in a manner consistent with the information which is regularly reviewed by the chief operating decision maker and used for the purposes of assessing performance and allocating resources between segments.

Principal activities of the three reportable segments are as follows:

Cargo handling	–	Provision of container handling and non-containerised cargo handling
Sales	–	Supply of fuel and sales of materials
Other port ancillary services	–	Tugboat services, agency services, tallying and other services

The segment information for the reportable segments is as follows:

	For the year ended 31 December 2017			
	Cargo handling	**Sales**	**Other port ancillary services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Total segment revenue	**6,996,265**	**7,295,713**	**3,295,193**	**17,587,171**
Inter-segment revenue	**–**	**(447,898)**	**(517,462)**	**(965,360)**
Revenue from external customers	**6,996,265**	**6,847,815**	**2,777,731**	**16,621,811**
Segment results	**2,627,225**	**169,413**	**863,396**	**3,660,034**
Business tax and surcharge				**(18,318)**
Other income and gains				**516,882**
Administrative expenses				**(1,912,589)**
Other operating expenses				**(50,760)**
Finance costs				**(571,887)**
Share of net profit of associates and joint ventures				**502,577**
Profit before income tax				**2,125,939**

	For the year ended 31 December 2016			
	Cargo handling	Sales	Other port ancillary services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	8,305,425	5,785,665	3,564,911	17,656,001
Inter-segment revenue	–	(548,593)	(650,426)	(1,199,019)
Revenue from external customers	8,305,425	5,237,072	2,914,485	16,456,982
Segment results	3,604,808	91,802	911,731	4,608,341
Business tax and surcharge				(39,105)
Other income and gains				226,382
Administrative expenses				(1,979,661)
Other operating expenses				(320,216)
Finance costs				(584,608)
Share of net profit of associates and joint ventures				448,108
Profit before income tax				2,359,241

3. OTHER INCOME AND GAINS

	2017 *HK$'000*	2016 *HK$'000*
Exchange gain, net	**281,470**	–
Interest income		
– from deposits	**140,223**	119,688
– from loan to a joint venture	**3,510**	2,857
– from other loans receivable	**13,903**	34,732
Dividend income from available-for-sale financial assets	**21,415**	9,035
Government grants	**41,482**	47,078
Others	**14,879**	12,992
	516,882	226,382

4. FINANCE COSTS

	2017 *HK$'000*	2016 *HK$'000*
Interest expenses on borrowings	**590,673**	632,559
Less: Amount capitalised in construction in progress	**(18,786)**	(47,951)
	571,887	584,608

5. EXPENSES BY NATURE

	2017 *HK$'000*	2016 *HK$'000*
Costs of goods sold	**6,606,434**	5,075,156
Depreciation of property, plant and equipment	**1,003,377**	1,032,493
Amortisation of land use rights	**150,734**	141,219
Amortisation of intangible assets	**17,680**	14,051
Exchange loss, net	**–**	296,602

6. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
PRC income tax		
– Current	**405,395**	574,681
– Deferred	**65,878**	(2,964)
	471,273	571,717

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the year (2016: nil).

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

7. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed final dividend of HK5.03 cents per ordinary share (2016: HK3.44 cents per ordinary share)	**309,747**	211,835

The Board proposed the payment of a final dividend of HK5.03 cents per ordinary share for the year ended 31 December 2017 (2016: HK3.44 cents). These consolidated financial statements do not reflect this dividend payable.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for calculating basic and diluted earnings per share	**774,592**	530,479

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for calculating basic earnings per share	**6,158,000**	6,158,000
Effect of dilutive potential ordinary shares:		
– Share options	**1,376**	947
Weighted average number of ordinary shares for calculating diluted earnings per share	**6,159,376**	6,158,947

Diluted earnings per share for the years ended 31 December 2017 and 31 December 2016 assumed the effect of exercise of certain of the Company's outstanding share options since they would have a dilutive effect.

9. TRADE AND OTHER RECEIVABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 - 90 days	**2,610,415**	2,481,601
91 - 180 days	**134,212**	51,794
Over 180 days	**64,930**	61,626
	2,809,557	2,595,021

10. TRADE AND OTHER PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 - 90 days	**1,309,441**	1,227,230
91 - 180 days	**126,142**	106,332
181 - 365 days	**44,747**	39,777
Over 365 days	**23,983**	19,207
	1,504,313	1,392,546

11. ASSETS RESTRUCTURING

On 21 April 2017, the Company and its 4 wholly-owned subsidiaries, Champion Sky Enterprises Limited, Well Light Enterprises Limited, Win Many Investments Limited and Tianjin Port Development International Limited, entered into equity transfer agreements respectively with Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co", an approximately 56.81% owned subsidiary of the Group), pursuant to which (i) the Company and its aforesaid 4 wholly-owned subsidiaries respectively agreed to dispose of 40% equity interest in Tianjin Port Alliance International Container Terminal Co., Ltd., 100% equity interest in Tianjin Port Container Terminal Co., Ltd., 100% equity interest in Tianjin Port No. 2 Stevedoring Co., Ltd., 51% equity interest in Tianjin Port Haifeng Bonded Logistics Co., Ltd. and 40% equity interest in Tianjin Port Euroasia International Container Terminal Co., Ltd. to Tianjin Port Co for a total consideration of RMB4,119,763,200; and (ii) Champion Sky Enterprises Limited agreed to acquire from Tianjin Port Co its 100% equity interest in Tianjin Port Tugboat Lighter Co., Ltd. for a consideration of RMB757,528,100. The aforesaid equity transfers were completed in 2017.

Following the accounting policy of the Group, the equity transfers were in substance regarded as transactions with non-controlling interests, which resulted in a total increase of HK$121 million in the equity attributable to the equity holders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

Global economy growth has further strengthened in 2017. In the U.S., the economy maintained a steady growth and the labour market remained strong with positive momentum. The U.S. Federal Reserve proceeded further with its monetary policy normalisation, quickened the pace of rate hikes and has raised interest rate 3 times in 2017. The European economy growth has accelerated and the European Central Bank continued to maintain a highly accommodative monetary policy in 2017. China's economy performed well with GDP growth of 6.9%, which was 0.2 percentage points higher than 2016.

The recovery of the global economy has rendered firm impetus in international trade. The stable and upward China's economy has driven the steady recovery of its imports and exports, which experienced a fall in the last two years before regaining its upward momentum. In 2017, China's total export trade value was US$2.26 trillion and recorded a year-on-year growth of 7.9% (2016: -7.7%) while the total import trade value was US$1.84 trillion, representing a year-on-year growth of 15.9% (2016: -5.5%).

The expansion of trading activities has driven cargo throughput growth at China's ports. According to the statistics from Ministry of Transport of the PRC, cargo throughput handled by China's ports of significant scale was 12.64 billion tonnes in 2017, grew by 6.4% over last year (2016: +3.2%), which was 3.2 percentage points higher than last year, of which container throughput handled was 237 million TEUs, grew by 8.3% over last year (2016: +3.6%).

ANNUAL RESULTS

For 2017, total cargo throughput handled by the Group was 432.57 million tonnes (2016: 474.72 million tonnes), representing a decrease of 8.9% over last year, of which total container throughput was 15.036 million TEUs (2016: 14.487 million TEUs), grew by 3.8% over last year.

	2017	2016	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Revenue	**16,622**	16,457	165	1.0%
Cost of sales	**12,962**	11,849	1,113	9.4%
Gross profit	**3,642**	4,569	-927	-20.3%
Profit before income tax	**2,126**	2,359	-233	-9.9%

The Group's profit before income tax was HK$2,126 million, which included an exchange gain of HK$281 million (2016: exchange loss of HK$297 million). The exchange gain arose mainly from the Group's HK$ liabilities as a result of the appreciation of RMB. Excluding the exchange gain/loss, the Group's profit before income tax was HK$1,844 million (2016: HK$2,656 million), representing a decrease of 30.6% over last year, mainly due to the decrease in profit from non-containerised cargo handling business.

During the year under review, profit attributable to shareholders of the Company amounted to HK$775 million. Basic earnings per share was HK12.6 cents.

The Board recommends the payment of a final dividend of HK5.03 cents per share for 2017, representing a payout ratio of 40% for the year (2016: 40%).

REVIEW OF OPERATIONS

Faced with further strengthening of the policies for production safety, environmental remediation and environmental protection, in particular, in order to meet the requirements for the air pollution prevention and control in Jing-Jin-Ji to reduce air pollution resulting from the long-distance transportation of coal by diesel vehicles, the port has stopped receiving coal transported by truck and shifted the coal transportation to rail, which have adversely impacted the non-containerised cargo handling business of the Group. The Group achieved total non-containerised cargo throughput of 268.38 million tonnes, representing a year-on-year decrease of 15.6%.

Non-containerised Cargo Handling Business

During the year under review, the Group achieved total non-containerised cargo throughput of 268.38 million tonnes, a decrease of 15.6% over last year, of which throughput of the subsidiary terminals fell by 19.4% and throughput of the jointly controlled and affiliated terminals grew by 2.8%.

	Non-containerised cargo throughput			
Nature of terminal	**2017**	2016	Change amount	Change percentage
	million tonnes	*million tonnes*	*million tonnes*	
Subsidiary terminals	**212.37**	263.60	-51.23	-19.4%
Jointly controlled and affiliated terminals	**56.01**	54.47	1.54	2.8%
Total	**268.38**	318.07	-49.69	-15.6%

Affected by a series of factors including policies on production safety, environmental remediation and the ban on coal transportation by truck, the non-containerised cargo throughput recorded a decline in 2017, of which the ban on coal transportation by truck has a relatively significant impact on the coal handling. In terms of total throughput, due to the limitation on transportation condition, capability and railway handling capacity of Tianjin Port railway and the place of origin of the cargoes, coal handling dropped by 30.2% to 79.16 million tonnes (2016: 113.34 million tonnes); the increase in China's steel price and the implementation of trade protection in certain countries led to a decrease in steel throughput of foreign trade, steel handling decreased by 21.8% to 18.27 million tonnes (2016: 23.37 million tonnes); affected by the elimination of excess capacity of steel industry, reduction of trucks to transport ore from the port, and diversion of ore cargoes, metal ore handling dropped by 14.1% to 98.43 million tonnes (2016: 114.59 million tonnes); crude oil handling remained stable at 21.82 million tonnes (2016: 21.99 million tonnes), a decrease of 0.8% from last year; while automobiles handling increased by 20.2% to 30.21 million tonnes (2016: 25.13 million tonnes) mainly benefited from the growth of foreign export trade driven by "One Belt, One Road Initiative".

The ban on coal transportation by truck has prompted the change of transportation mode at the port of Tianjin, the switching from truck transportation to railway transportation poses a great challenge to the non-containerised cargo handling business of the Group. In the face of this significant change, the Group acted proactively to minimise the adverse impact on operations caused by the ban on coal transportation by truck through enhancing the communication and cooperation with railway authorities; improving resources allocation to increase railway transportation capacity; establishing remote logistics bases and pendulum route for railway transportation; communicating actively and encouraging the customers to change the coal transportation towards railway transportation; promoting the "non-containerised to container" mode for coal transportation to increase container handling of coal; and achieved a year-on-year increase of approximately 25% in coal handling by rail as a result of a combination of measures taken.

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business was HK$23.6 per tonne (2016: HK$24.2 per tonne), a decrease of 2.5% over last year. In RMB, the blended average unit price decreased by 1.4% over last year due to changes in cargo mix.

Container Handling Business

Currently, the Group operates all container terminals at the port of Tianjin.

In 2017, container handling business remained stable with various new container routes established, 4 of which were along the "One Belt, One Road" network. The Group achieved total container throughput of 15.036 million TEUs, representing an increase of 3.8% from last year, of which throughput of the subsidiary terminals increased by 3.2% and throughput of the jointly controlled and affiliated terminals rose by 4.4%.

	Container throughput			
Nature of terminal	**2017**	2016	Growth amount	Growth percentage
	'000 TEUs	*'000 TEUs*	*'000 TEUs*	
Subsidiary terminals	**7,242**	7,020	222	3.2%
Jointly controlled and affiliated terminals	**7,794**	7,467	327	4.4%
Total	**15,036**	14,487	549	3.8%

On a consolidated basis, the blended average unit price of the container handling business increased by 0.2% over last year to HK$274.9 per TEU (2016: HK$274.3 per TEU) due to changes in cargo mix. In RMB, the blended average unit price increased by 1.1% over last year.

Sales Business

The Group's sales business mainly engaged in the supply of fuel to the inbound vessels, sales of supplies and other materials.

During the year under review, the Group recorded revenue of HK$6,848 million from the sales business segment, representing an increase of 30.8% over last year, which was boosted by the rise in sales volume and selling price of fuel.

Other Port Ancillary Services Business

Other port ancillary services of the Group mainly include tugboat services, agency services and other services.

During the year under review, cargo agency dropped by 20.4% to 88.15 million tonnes of cargoes (2016: 110.71 million tonnes); shipping agency dropped by 0.4% to 18,200 vessel calls (2016: 18,280 vessel calls); tallying services decreased by 5.0% to 106.22 million tonnes of cargoes (2016: 111.84 million tonnes); and tugboat services decreased by 6.5% to 46,888 vessel calls (2016: 50,122 vessel calls) over last year.

OUTLOOK

Looking ahead to 2018, the global economy is expected to maintain a steady growth, the growth momentum of U.S. economy will persist and accelerate under the short-term stimulation on tax reform. The European economy will undergo solid expansion while China's economy will retain stable growth. Global economic growth momentum will promote international trade and it is expected that the foreign trade of China will maintain a steady growth. On the other hand, 2018 will continue to be clouded by a series of uncertainties, including mainly geopolitical risk, the rise of trade protectionism and higher-than-expected inflation growth. Despite the uncertainties, the Group has many distinctive strengths and opportunities. In the strategy of Jing-Jin-Ji integration and development, the Group is able to benefit from its unique geographic location. The Tianjin Pilot Free Trade Zone promotes development in areas including financial, taxation and trading, enabling investments and trade. Furthermore, following the progression of "One Belt, One Road" strategy, the trading volume between China and countries en route will continue to increase. As Tianjin acts as an important hub in "One Belt, One Road" strategy and "China-Mongolia-Russia Economic Corridor", as well as a strategic point of the Maritime Silk Road, it possesses unique advantages in terms of geographical location, economy, industry and policy, which provide the Group with new prospects and opportunities.

In the year ahead, confronting in particular the existing challenges, including more stringent policies on production safety and environmental protection, as well as the competition with the nearby ports, the Group will continue to act proactively to overcome the challenges. It will implement the strategy of prioritising the development of container business, strengthen efforts in routes development, actively explore new routes and enhance their capacity, expand transhipment capacity, and increase the cargo volume of Bohai Rim feeder. At the same time, the Group will facilitate the optimisation of non-containerised cargo structure, implement segmentation operation strategy, promote professional cargo segmental operation, enhance railway transportation capacity, and promote container transportation mode for non-containerised cargo. While improving the logistics business and accelerating the establishment of the bulk cargo logistics bases, it will extend the economic hinterland coverage of the port and develop comprehensive logistics network. In addition, the Group will enhance the levels of automation and intelligence of its production and operations, enhance customer experience, attract logistics resources and promote the transformation and upgrading of the port, which will lay a solid foundation for the Group to achieve long-term planning and sustainable development.

On the other hand, following the completion of assets restructuring, the Group will step up efforts in resources integration and assets allocation optimisation to realise synergy effects through integration and collaboration, further promote assets consolidation to achieve synergy in facilities construction and resources management, which will increase asset efficiency and further enhance core competitiveness.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded revenue of HK$16,622 million, representing an increase of 1.0% from last year. An analysis of revenue by segment is as follows:

	Revenue			
Type of business	**2017**	2016	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Non-containerised cargo handling business	**5,006**	6,380	-1,374	-21.5%
Container handling business	**1,990**	1,926	64	3.4%
Cargo handling business (total)	**6,996**	8,306	-1,310	-15.8%
Sales business	**6,848**	5,237	1,611	30.8%
Other port ancillary services business	**2,778**	2,914	-136	-4.7%
Total	**16,622**	16,457	165	1.0%

Revenue from non-containerised cargo handling business decreased by 21.5% over last year to HK$5,006 million. In RMB, revenue decreased by 20.8% which was mainly due to the decrease in non-containerised cargo throughput.

Revenue from container handling business increased by 3.4% over last year to HK$1,990 million. In RMB, revenue increased by 4.3% which was mainly attributable to the increase in container throughput.

Revenue from sales business was HK$6,848 million, a 30.8% increase over last year and a 31.9% increase in RMB. The increase was mainly benefited from the rise in sales volume and selling price of fuel.

The decrease in non-containerised cargo throughput affected the performance of other port ancillary services business. Revenue from other port ancillary services business was HK$2,778 million, a 4.7% decrease over last year and a 3.8% decrease in RMB.

Costs of Sales

During the year under review, cost of sales of the Group was HK$12,962 million, representing an increase of 9.4% over last year. An analysis of costs by segment is as follows:

		Costs		
Type of business	**2017**	2016	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Cargo handling business	**4,369**	4,701	-332	-7.1%
Sales business	**6,678**	5,145	1,533	29.8%
Other port ancillary services business	**1,915**	2,003	-88	-4.4%
Total	**12,962**	11,849	1,113	9.4%

Cost of cargo handling business decreased by 7.1% over last year to HK$4,369 million. In RMB, cost decreased by 6.2% which was mainly driven by the decrease in labour costs, storage costs and cargo reconfiguration costs.

Cost of sales business increased by 29.8% over last year to HK$6,678 million. In RMB, cost increased by 31.0% which was mainly due to the increase in sales leading to the corresponding increase in the costs of sales.

Cost of other port ancillary services business decreased by 4.4% over last year to HK$1,915 million due to a drop in business volume. In RMB, cost decreased by 3.5%.

Gross Profit

Gross profit and gross profit margin for 2017 were HK$3,642 million (2016: HK$4,569 million) and 21.9% (2016: 27.8%) respectively. Gross profit decreased by HK$927 million, primarily due to the decrease in gross profit from cargo handling business. Gross profit margin dropped by 5.9 percentage points, which was mainly attributable to: (1) the decrease in gross profit margin of cargo handling business caused by a lower non-containerised cargo throughput leading a drop in cargo handling revenue, and the decrease in cost of cargo handling is less than that in revenue due to the effects of fixed costs; and (2) the increase in the proportion of sales business which has a lower gross profit margin.

Administrative Expenses

Administrative expenses of the Group decreased by 3.4% over last year to HK$1,913 million. The Group will continue to take strict measures in control and management so as to maintain administrative expenses at a reasonable level.

Other Income and Gains and Other Operating Expenses

Other income and gains amounted to HK$517 million, representing an increase of HK$291 million over last year, which included an exchange gain of HK$281 million.

Other operating expenses amounted to HK$50.76 million, representing a decrease of HK$269 million as compared with HK$320 million last year, primarily due to the inclusion of an exchange loss of HK$297 million last year.

Finance Costs

Finance costs (excluding capitalised interest) amounted to HK$572 million, a decrease of 2.2% over last year. Interest expenses (including capitalised interest) amounted to HK$591 million, representing a decrease of 6.6% over last year.

Share of Net Profit of Associates and Joint Ventures Accounted for Using the Equity Method

The Group's share of net profit of associates and joint ventures accounted for using the equity method was HK$503 million, representing an increase of HK$54.47 million (12.2%) over last year, mainly resulted from the increase in profit from other port ancillary services business.

Income Tax

During the year under review, the Group's income tax expenses amounted to HK$471 million, representing a decrease of 17.6% over last year. This was primarily due to a lower profit before income tax of the Group.

FINANCIAL POSITION

Cash Flow

In 2017, net cash inflow of the Group amounted to HK$2,974 million.

The Group continued to generate steady cash flow from its operations. Net cash inflow from operating activities amounted to HK$2,039 million.

Net cash inflow from investing activities amounted to HK$1,046 million, which included a decrease of HK$803 million in time deposits with maturity over three months, receipt of loans receivable of HK$598 million, receipt of dividends of HK$439 million and capital expenditures of HK$805 million.

Net cash outflow from financing activities amounted to HK$112 million, which included payment of dividends and interest expenses of HK$1,424 million, net increase of HK$1,189 million in borrowings and capital contribution of HK$124 million from non-controlling shareholders of subsidiaries.

Capital Structure

The equity attributable to equity holders of the Company as at 31 December 2017 were HK$12,725 million, and the net asset value of the Company was HK$2.1 per share (31 December 2016: HK$1.8 per share).

As at 31 December 2017, the Company had an issued share capital of 6,158 million shares and the market capitalisation was HK$7,082 million (at the closing market price of the shares of the Company of HK$1.15 per share on 31 December 2017).

Assets and Liabilities

As at 31 December 2017, the Group's total assets were HK$47,447 million (31 December 2016: HK$42,337 million) and total liabilities were HK$20,485 million (31 December 2016: HK$18,220 million). Net current assets were HK$3,060 million as at 31 December 2017 (31 December 2016: HK$5,145 million).

Liquidity, Financial Resources and Borrowings

As at 31 December 2017, the Group's cash and deposits (including restricted bank deposits and time deposits with maturity over three months) were HK$10,742 million (31 December 2016: HK$7,839 million), which were principally denominated in RMB.

The Group's total borrowings as at 31 December 2017 were HK$16,409 million (31 December 2016: HK$14,516 million), with HK$7,585 million repayable within one year, HK$8,207 million repayable after one year and within five years and HK$617 million repayable after five years. About 27.9% and 72.1% of the Group's borrowings were denominated in HK$ and RMB respectively.

Financial Ratios

As at 31 December 2017, the gearing ratio (total borrowings divided by total equity) of the Group was 60.9% (31 December 2016: 60.2%), and the current ratio (current assets divided by current liabilities) was 1.3 (31 December 2016: 1.8).

Pledge of Assets

As at 31 December 2017, none of the Group's assets were pledged.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2017.

Financial Management and Policy

The Group's head office in Hong Kong is responsible for financial risk management and the finance department is responsible for the daily financial management of the Group. One of the major objectives of the Group's treasury is to manage its foreign currency exchange rate and interest rate risk exposures. It is the Group's policy not to engage in speculative activities.

The operations of the Group are located in the PRC and its functional currency is RMB. The Group is exposed to foreign exchange risk primarily from the assets and liabilities that are denominated in non-functional currencies. As at 31 December 2017, most of the Group's assets and liabilities were denominated in RMB except for certain HK$ bank borrowings. Since China's RMB exchange rate reform in August 2015 till the end of 2016, RMB has experienced a significant depreciation and the Central Parity Rate of RMB against HK$ as set by the People's Bank of China at the end of December 2016 declined by over 13% from that before the reform in August 2015. In 2017, RMB has appreciated rapidly, with the Central Parity Rate of RMB against HK$ rose over 6%. The appreciation in the exchange rate of RMB brought exchange gain arising from the translation of foreign currency denominated liabilities held by the Group. In 2017, the Group recorded exchange gain of HK$281 million (2016: exchange loss of HK$297 million). No hedging arrangement was entered into in respect of foreign exchange risk exposure during the year under review.

The Group's interest rate risk arises primarily from the fluctuation on interest rates of borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk while borrowings at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2017, the Group's total borrowings were HK$16,409 million, of which approximately 68.3% were at floating interest rate while the remaining 31.7% were at fixed interest rate, and the average borrowing interest rate was 3.9% (31 December 2016: 3.8%).

The Group will continue to monitor the risks of exchange rate and interest rate closely. In view of the fluctuations in RMB exchange rate and its debts in foreign currencies, the Group will continuously review its treasury strategy, whilst keeping an eye on the US$ interest rate hike, with the aim to be well prepared and to respond quickly and effectively to the rapidly changing conditions in financial market.

CAPITAL EXPENDITURE AND COMMITMENTS

In 2017, additions to property, plant and equipment of the Group amounted to HK$1,037 million, primarily used for construction of new terminals and depots, and renovation of terminals and depots.

As at 31 December 2017, the Group's capital commitments (including authorised but not contracted for) amounted to HK$4,800 million (31 December 2016: HK$5,545 million), of which HK$4,187 million is for property, plant and equipment and HK$613 million is for investment in an associate.

MATERIAL INVESTMENTS

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

1. The registered capital of 天津港遠航國際礦石碼頭有限公司 (Tianjin Port Yuanhang International Ore Terminal Co., Ltd.*) (a non wholly-owned subsidiary of the Group) was increased by RMB424 million which will be used to invest and construct No.27 terminal project at Nanjiang Port Area of the port of Tianjin. The Group holds 51% equity interest in it and the capital contribution (on a pro rata basis) by the Group amounts to RMB216 million, which is funded by internal fund. In 2017, the Group made a capital contribution of RMB108 million. As at 31 December 2017, the Group made its capital contribution in full.

2. 天津港東疆物流園有限公司 (Tianjin Port Dongjiang Logistics Park Co., Ltd.*) (a wholly-owned subsidiary of the Group) was established in 2015 to invest in, construct and operate the Tianjin Port Dongjiang Logistics Park project with the registered capital of RMB230 million. The capital contribution by the Group is funded by internal fund. In 2017, the Group made a capital contribution of RMB23.74 million. As at 31 December 2017, the cumulative capital contribution made by the Group was RMB187 million.

SIGNIFICANT EVENT

On 21 April 2017, the Company and its 4 wholly-owned subsidiaries, Champion Sky Enterprises Limited, Well Light Enterprises Limited, Win Many Investments Limited and Tianjin Port Development International Limited, entered into equity transfer agreements respectively with Tianjin Port Co, pursuant to which (i) the Company and its aforesaid 4 wholly-owned subsidiaries respectively agreed to dispose of 40% equity interest in 天津港聯盟國際集裝箱碼頭有限公司 (Tianjin Port Alliance International Container Terminal Co., Ltd.*), 100% equity interest in 天津港集裝箱碼頭有限公司 (Tianjin Port Container Terminal Co., Ltd.*), 100% equity interest in 天津港第二港埠有限公司 (Tianjin Port No. 2 Stevedoring Co., Ltd.*), 51% equity interest in 天津港海豐保税物流有限公司 (Tianjin Port Haifeng Bonded Logistics Co., Ltd.*) and 40% equity interest in 天津港歐亞國際集裝箱碼頭有限公司 (Tianjin Port Euroasia International Container Terminal Co., Ltd.*) to Tianjin Port Co; and (ii) Champion Sky Enterprises Limited agreed to acquire from Tianjin Port Co its 100% equity interest in 天津港輪駁有限公司 (Tianjin Port Tugboat Lighter Co., Ltd.*). The details of the equity transfers were set out in the announcement of the Company dated 21 April 2017 and the circular of the Company dated 1 June 2017. The equity transfers were approved by the shareholders at the extraordinary general meeting of the Company held on 22 June 2017 and completed in 2017.

EMPLOYEES

As at 31 December 2017, the Group had approximately 9,000 employees. The Group offers remuneration packages for employees based on their position, performance and the labour market conditions. Share options were also granted to the management as remuneration. In addition to basic salary, mandatory provident fund scheme (in accordance with the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or the state-managed pension scheme (for PRC employees), discretionary bonus is also awarded to the employees with reference to the annual results and the employees' performance. The Group reviews the remuneration policies and packages on a regular basis.

The Group highly values life-long learning and individual development of the employees, and enhances their productivity through provision of training, thereby benefiting business development of the Group. The management proactively communicates with the employees to foster the employer-employee relationship.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DIVIDEND

The Board recommends the payment of a final dividend of HK5.03 cents per share for 2017.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 5 June 2018 (the "AGM"), the final dividend will be payable on Monday, 16 July 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 13 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

1. from Thursday, 31 May 2018 to Tuesday, 5 June 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders of the Company entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 30 May 2018; and

2. from Monday, 11 June 2018 to Wednesday, 13 June 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders of the Company entitled to the final dividend to be approved at the AGM. In order to qualify for the final dividend, all transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 8 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the Model Code at all applicable times throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Cheng Chi Pang, Leslie, Japhet Sebastian Law and Zhang Weidong. Cheng Chi Pang, Leslie is the chairman of the Audit Committee. The annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

PUBLICATION OF FINAL RESULTS

This results announcement is published on the website of the Company at www.tianjinportdev.com and the HKExnews website at www.hkexnews.hk.

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

Hong Kong, 27 March 2018

As at the date of this announcement, the Board consists of Mr. Zhang Ruigang, Mr. Li Quanyong, Mr. Wang Rui, Mr. Yu Houxin and Ms. Shi Jing as executive Directors; Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong as independent non-executive Directors.

* *For identification purposes only*