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 2018

HIGHLIGHTS

- Total cargo throughput handled was 428.66 million tonnes, of which total container throughput was 15.972 million TEUs.
- Revenue was HK$15,871 million.
- Profit attributable to equity holders of the Company was HK$431 million.
- Basic earnings per share of HK7.0 cents.
- Proposed final dividend of HK2.79 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 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	2	**15,871,075**	16,621,811
Business tax and surcharge		**(14,800)**	(18,318)
Cost of sales		**(12,675,629)**	(12,961,777)
Gross profit		**3,180,646**	3,641,716
Other income and gains	3	**372,925**	516,882
Administrative expenses		**(1,804,583)**	(1,912,589)
Net impairment losses on financial assets		**(23,123)**	(10,105)
Other operating expenses		**(255,336)**	(40,655)
Operating profit		**1,470,529**	2,195,249
Finance costs	4	**(616,065)**	(571,887)
Share of net profit of associates and joint ventures accounted for using the equity method		**448,394**	502,577
Profit before income tax		**1,302,858**	2,125,939
Income tax	6	**(263,324)**	(471,273)
Profit for the year		**1,039,534**	1,654,666
Profit attributable to:			
Equity holders of the Company		**430,534**	774,592
Non-controlling interests		**609,000**	880,074
		1,039,534	1,654,666
Earnings per share	8		
Basic (HK cents)		**7.0**	12.6
Diluted (HK cents)		**7.0**	12.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**1,039,534**	1,654,666
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	**(129,804)**	–
Income tax relating to these items	**29,201**	–
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of available-for-sale financial assets	**–**	305,261
Currency translation differences	**(1,242,460)**	1,739,604
Other comprehensive (loss)/income for the year, net of tax	**(1,343,063)**	2,044,865
Total comprehensive (loss)/income for the year	**(303,529)**	3,699,531
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(192,290)**	1,678,742
Non-controlling interests	**(111,239)**	2,020,789
	(303,529)	3,699,531

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**5,897,291**	6,334,061
Property, plant and equipment		**18,803,723**	19,834,777
Intangible assets		**60,069**	69,909
Investments accounted for using the equity method		**5,524,722**	5,972,997
Financial assets at fair value through other comprehensive income		**509,111**	–
Available-for-sale financial assets		**–**	958,574
Deferred income tax assets		**54,091**	63,520
		30,849,007	33,233,838
Current assets			
Inventories		**318,441**	237,647
Trade and other receivables	9	**3,301,211**	3,234,034
Restricted bank deposits		**19,193**	49,742
Time deposits with maturity over three months		**1,115,043**	573,860
Cash and cash equivalents		**9,868,107**	10,118,303
		14,621,995	14,213,586
Total assets		**45,471,002**	47,447,424
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**615,800**	615,800
Other reserves		**3,702,402**	4,625,214
Retained earnings		**7,906,069**	7,484,124
		12,224,271	12,725,138
Non-controlling interests		**13,665,161**	14,237,699
Total equity		**25,889,432**	26,962,837

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**9,050,608**	8,823,898
Deferred income tax liabilities		**220,084**	483,652
Other long-term liabilities		**25,533**	23,589
		9,296,225	9,331,139
Current liabilities			
Trade and other payables	*10*	**3,785,951**	3,447,745
Current income tax liabilities		**99,150**	120,725
Borrowings		**6,400,244**	7,584,978
		10,285,345	11,153,448
Total liabilities		**19,581,570**	20,484,587
Total equity and liabilities		**45,471,002**	47,447,424
Net current assets		**4,336,650**	3,060,138
Total assets less current liabilities		**35,185,657**	36,293,976

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 ("HKFRSs") 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) Adoption of new/revised HKFRSs

The Group has adopted the following new standards, amendments and interpretations for the accounting period beginning on 1 January 2018:

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

HKFRS 15 is based on the principle that the revenue is recognised when control of goods or services is transferred to customers. The adoption of HKFRS 15, other amendments and interpretations has no significant impact on the results and financial position of the Group for the current or prior year. The impact of the adoption of HKFRS 9 is discussed below.

HKFRS 9 replaces HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group made an election to designate its equity investments of HK$958,574,000 previously classified as available-for-sale financial assets to financial assets at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income (OCI) and there was no impact on retained earnings. There is no subsequent reclassification of fair value gains and losses to profit or loss at disposal, and the cumulative gain and loss recognised in the revaluation reserve is transferred to retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income.

Net impairment losses on financial assets were reclassified from other operating expenses. Reclassification made to line items in the consolidated income statement for the year ended 31 December 2017 are summarised below:

	2017
	HK$'000
Decrease of other operating expenses	10,105
Increase of net impairment losses on financial assets	(10,105)
Impact on operating profit	–

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

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 2015-2017 Cycle*[1]
HKAS 19 (Amendment)	*Employee Benefits – Plan Amendment, Curtailment or Settlement*[1]
HKAS 28 (Amendment)	*Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*[1]
HKFRS 9 (Amendment)	*Financial Instruments – Prepayment Features with Negative Compensation*[1]
HKFRS 10 (Amendment) and HKAS 28 (2011) (Amendment)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*[2]
HKFRS 3 (Amendment)	*Definition of a Business*[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined

HKFRS 16 was issued in 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately HK$1,266 million. Upon adoption of HKFRS 16, the majority of operating leases will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The right-of-use assets will be measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received) and depreciated on a straight-line basis during the lease term. The lease liabilities will be measured at the present value of the remaining lease payments and will subsequently be measured at amortised cost. The Group intends to adopt the simplified transition approach and will not restate comparative amounts for the year prior to its first adoption.

Upon adoption of HKFRS 16, the Group expects to recognise right-of-use assets and lease liabilities on 1 January 2019. The Group expects that profit for the year ending 31 December 2019 will decrease as a result of adopting HKFRS 16. Further update of the impact will be provided in the interim report for the six months ending 30 June 2019.

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 2018			
	Cargo handling *HK$'000*	**Sales** *HK$'000*	**Other port ancillary services** *HK$'000*	**Total** *HK$'000*
Total segment revenue	**6,861,835**	**6,796,629**	**2,997,049**	**16,655,513**
Inter-segment revenue	**–**	**(330,908)**	**(453,530)**	**(784,438)**
Revenue from external customers	**6,861,835**	**6,465,721**	**2,543,519**	**15,871,075**
Segment results	**2,200,640**	**144,180**	**850,626**	**3,195,446**
Business tax and surcharge				**(14,800)**
Other income and gains				**372,925**
Administrative expenses				**(1,804,583)**
Net impairment losses on financial assets				**(23,123)**
Other operating expenses				**(255,336)**
Finance costs				**(616,065)**
Share of net profit of associates and joint ventures accounted for using the equity method				**448,394**
Profit before income tax				**1,302,858**

	For the year ended 31 December 2017			
	Cargo handling *HK$'000*	Sales *HK$'000*	Other port ancillary services *HK$'000*	Total *HK$'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)
Net impairment losses on financial assets				(10,105)
Other operating expenses				(40,655)
Finance costs				(571,887)
Share of net profit of associates and joint ventures accounted for using the equity method				502,577
Profit before income tax				2,125,939

3. OTHER INCOME AND GAINS

	2018 *HK$'000*	2017 *HK$'000*
Exchange gain, net	**–**	281,470
Interest income		
– from deposits	**258,878**	140,223
– from loan to a joint venture	**5,225**	3,510
– from other loans receivable	**–**	13,903
Dividend income from financial assets at FVOCI	**18,573**	–
Dividend income from available-for-sale financial assets	**–**	21,415
Government grants	**68,357**	41,482
Others	**21,892**	14,879
	372,925	516,882

4. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on borrowings	**634,407**	590,673
Less: Amount capitalised in construction in progress	**(18,342)**	(18,786)
	616,065	571,887

5. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Costs of goods sold	**6,236,931**	6,606,434
Depreciation of property, plant and equipment	**1,047,450**	1,003,377
Amortisation of land use rights	**159,592**	150,734
Amortisation of intangible assets	**17,935**	17,680
Exchange loss, net	**204,319**	–

6. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
PRC income tax		
– Current	**402,651**	405,395
– Deferred	**(139,327)**	65,878
	263,324	471,273

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 (2017: nil).

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

7. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed final dividend of HK2.79 cents per ordinary share (2017: HK5.03 cents per ordinary share)	**171,808**	309,747

The Board proposed the payment of a final dividend of HK2.79 cents per ordinary share for the year ended 31 December 2018 (2017: HK5.03 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:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for calculating basic and diluted earnings per share	**430,534**	774,592

	2018	2017
	'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	**431**	1,376
Weighted average number of ordinary shares for calculating diluted earnings per share	**6,158,431**	6,159,376

Diluted earnings per share for the years ended 31 December 2018 and 31 December 2017 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 follow:

	2018	2017
	HK$'000	*HK$'000*
0 - 90 days	**2,443,401**	2,610,415
91 - 180 days	**170,644**	134,212
Over 180 days	**31,648**	64,930
	2,645,693	2,809,557

10. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 - 90 days	**1,718,074**	1,309,441
91 - 180 days	**129,199**	126,142
181 - 365 days	**40,019**	44,747
Over 365 days	**46,536**	23,983
	1,933,828	1,504,313

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION ENVIRONMENT

In 2018, with four rate hikes by the U.S. Federal Reserve during the year, the U.S. economy continued to see strong growth as demand was boosted by tax cuts and an increase in expenditure, while Europe exhibited continuous but slowing economic growth. China operated within a reasonable range and achieved a GDP growth rate of 6.6% in 2018 which was in line with the market expectation.

Clouded by escalating trade disputes and decelerating global economic growth, global trade momentum in 2018 softened to 3.8% from 5.3% in 2017. Boosted by strong gains in the first half of the year and the effects of front-loading shipments in the second half of the year, China's total export trade value reached US$2.49 trillion in 2018, rose by 9.9% year-on-year (2017: 7.9%), and total import trade value went up by 15.8% (2017: 15.9%) year-on-year to US$2.14 trillion.

Cargo throughput at China's ports continued to grow yet at a slower rate, reflected the moderating global economic growth and slowing trade growth. According to the statistics from National Bureau of Statistics of China, cargo throughput handled by ports of significant scale in China was 13.3 billion tonnes in 2018, an increase of 2.7% over last year, of which container throughput handled was reported at 250 million TEUs, grew by 5.2% over last year.

FINAL RESULTS

For 2018, total cargo throughput handled by the Group was 428.66 million tonnes (2017: 432.57 million tonnes), representing a decrease of 0.9% over last year, of which total container throughput was 15.972 million TEUs (2017: 15.036 million TEUs), an increase of 6.2% over last year.

	2018	2017	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Revenue	**15,871**	16,622	-751	-4.5%
Cost of sales	**12,676**	12,962	-286	-2.2%
Gross profit	**3,181**	3,642	-461	-12.7%
Profit before income tax	**1,303**	2,126	-823	-38.7%
Profit attributable to shareholders of the Company	**431**	775	-344	-44.4%

The Group's profit before income tax was HK$1,303 million, which included an exchange loss of HK$204 million (2017: exchange gain of HK$281 million). The exchange loss arose mainly from the Group's HK$ denominated liabilities as a result of the depreciation of RMB against HK$. Excluding the exchange loss/gain, the Group's profit before income tax was HK$1,507 million (2017: HK$1,844 million), representing a decrease of 18.3% over last year, mainly due to the decrease in profit from non-containerised cargo handling business.

Profit attributable to the shareholders of the Company amounted to HK$431 million, representing a decrease of 44.4% year-on-year. The decrease was mainly due to an exchange loss arising from the HK$ denominated liabilities held by the Group resulting from the depreciation of RMB against HK$ in 2018 while an exchange gain was recorded in 2017. Basic earnings per share was HK7.0 cents.

The Board recommends the payment of a final dividend of HK2.79 cents per share for 2018, representing a payout ratio of 40% for the year (2017: 40%).

REVIEW OF OPERATIONS

Further strengthening of environmental protection policies continued to create a challenging operating environment for the non-containerised cargo handling business of the Group. The Group achieved total non-containerised cargo throughput of 255.57 million tonnes, representing a year-on-year decrease of 4.8%.

Non-containerised Cargo Handling Business

During the year under review, the Group achieved total non-containerised cargo throughput of 255.57 million tonnes, a decrease of 4.8% over last year, of which throughput of the subsidiary terminals fell by 7.7% and throughput of the jointly controlled and affiliated terminals grew by 6.1%.

Nature of terminal	**Non-containerised cargo throughput**			
	2018 ***million tonnes***	2017 *million tonnes*	Change amount *million tonnes*	Change percentage
Subsidiary terminals	**196.12**	212.37	-16.25	-7.7%
Jointly controlled and affiliated terminals	**59.45**	56.01	3.44	6.1%
Total	**255.57**	268.38	-12.81	-4.8%

In terms of total throughput on a year-on-year basis, metal ore handling remained stable, rose by 2.0% to 100.43 million tonnes (2017: 98.43 million tonnes); the adjustment in transportation mode of coal required by the policy to convert road freight to rail freight had affected coal throughput, coal handling dropped by 10.4% to 70.92 million tonnes (2017: 79.16 million tonnes); crude oil handling amounted to 23.64 million tonnes (2017: 21.82 million tonnes), an increase of 8.3%; automobiles handling increased by 7.0% to 32.31 million tonnes (2017: 30.21 million tonnes); due to the decline in steel throughput of foreign trade as a result of the China-U.S. trade dispute, steel handling decreased by 33.4% to 12.16 million tonnes (2017: 18.27 million tonnes).

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business was HK$24.0 per tonne (2017: HK$23.6 per tonne), an increase of 1.7% over last year. In RMB, the blended average unit price decreased by 0.5% over last year.

Container Handling Business

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

In 2018, container handling business remained stable with 2 new foreign trade container routes established. The Group achieved total container throughput of 15.972 million TEUs, representing an increase of 6.2% from last year, of which throughput of the subsidiary terminals increased by 6.3% and throughput of the jointly controlled and affiliated terminals rose by 6.2%.

Nature of terminal	**Container throughput**			
	2018	2017	Growth amount	Growth percentage
	'000 TEUs	*'000 TEUs*	*'000 TEUs*	
Subsidiary terminals	**7,697**	7,242	455	6.3%
Jointly controlled and affiliated terminals	**8,275**	7,794	481	6.2%
Total	**15,972**	15,036	936	6.2%

On a consolidated basis, the blended average unit price of the container handling business increased by 2.2% over last year to HK$281.0 per TEU (2017: HK$274.9 per TEU). In RMB, the blended average unit price was at par with 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$6,466 million from the sales business segment, representing a decrease of 5.6% over last year, which was mainly due to the drop in sales volume.

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 rose by 0.3% to 88.38 million tonnes of cargoes (2017: 88.15 million tonnes); shipping agency dropped by 50.7% to 8,964 vessel calls (2017: 18,200 vessel calls); tallying services increased by 0.3% to 106.51 million tonnes of cargoes (2017: 106.22 million tonnes); and tugboat services decreased by 2.8% to 45,571 vessel calls (2017: 46,888 vessel calls) over last year.

OUTLOOK

Looking ahead to 2019, uncertainties over the China-U.S. trade dispute, U.S. monetary policy, Brexit and geopolitical tensions are likely to act as headwinds to the global economic growth and a slower growth momentum is anticipated. U.S. economic growth is expected to slow down owing to the diminishing effect of its fiscal stimulus, trade protectionism and the U.S. Federal Reserve's stance on monetary policy. The European Central Bank has lowered the growth forecast for the Eurozone to 1.1% while China has set an economic growth target of 6% to 6.5%. The global economic growth slowdown and the China-U.S. trade dispute are expected to have a more significant impact to the global trade and the port industry is likely to face growing pressure as the growth rate of global trade is expected to decelerate.

In the year ahead, the Group will strive for improvement while maintaining stability. Driven by reform and innovation, it will focus on enhancing quality and efficiency through transformation and upgrade to promote quality development, create new competitive edges and achieve new progress on transformation. The Group will accelerate the development of container business, implement the strategy of prioritising container business, strengthen efforts in route development, actively increase the number of routes, improve shipping frequency to expand business and increase volume, spare no effort to develop feeder transportation within the Bohai Rim Region, 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, improve the operating system for professional cargo segmentation, enhance the organisation of railway transportation, develop pendulum transportation, strengthen the linkage with coal mines, and enhance railway transportation capacity. While pushing forward the upgrade and development of logistics business, extending the economic hinterland coverage of the port and developing a comprehensive logistics network, the Group will enhance the levels of automation and intelligence of its production and operations at the port, optimise processes, increase efficiency, enhance customer experience, promote continuous improvement of business environment, and attract logistics resources. In addition, the Group will raise the level of technological innovation, and push forward the key technology projects such as the intelligent control system and the upgrade of the green and intelligent dry bulk cargo terminals. It will deepen the construction of a safe and green port, enhance safety management, and implement projects for water pollution prevention and control as well as port greening and improvement. The Group will promote the transformation and upgrade of the port and seek to build a brand with international competitiveness, and lay a solid foundation for the Group to achieve long-term planning and sustainable development.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded revenue of HK$15,871 million, representing a decrease of 4.5% from last year. An analysis of revenue by segment is as follows:

Type of business	Revenue			
	2018	2017	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Non-containerised cargo handling business	**4,699**	5,006	-307	-6.1%
Container handling business	**2,163**	1,990	173	8.7%
Cargo handling business (total)	**6,862**	6,996	-134	-1.9%
Sales business	**6,466**	6,848	-382	-5.6%
Other port ancillary services business	**2,543**	2,778	-235	-8.4%
Total	**15,871**	16,622	-751	-4.5%

Revenue from non-containerised cargo handling business decreased by 6.1% over last year to HK$4,699 million. In RMB, revenue decreased by 8.1% which was mainly due to the decrease in non-containerised cargo throughput.

Revenue from container handling business increased by 8.7% over last year to HK$2,163 million. In RMB, revenue increased by 6.3% which was mainly attributable to the increase in container throughput.

Revenue from sales business was HK$6,466 million, a 5.6 % decrease over last year and a 7.6 % decrease in RMB, which was mainly due to the decrease in sales.

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$2,543 million, an 8.4% decrease over last year and a 10.4% decrease in RMB.

Costs of Sales

During the year under review, cost of sales of the Group was HK$12,676 million, representing a decrease of 2.2% over last year. An analysis of costs by segment is as follows:

Type of business	**Costs**			
	2018	2017	Change amount	Change percentage
	HK$ million	*HK$ million*	*HK$ million*	
Cargo handling business	**4,661**	4,369	292	6.7%
Sales business	**6,322**	6,678	-356	-5.3%
Other port ancillary services business	**1,693**	1,915	-222	-11.6%
Total	**12,676**	12,962	-286	-2.2%

Cost of cargo handling business was HK$4,661 million, a 6.7 % increase over last year and a 4.4% increase in RMB, primarily attributable to the increase in storage and cargo configuration costs.

Cost of sales business decreased by 5.3% over last year to HK$6,322 million. In RMB, cost decreased by 7.4% which was mainly due to the decrease in sales leading to the corresponding decrease in the costs of sales.

Cost of other port ancillary services business decreased by 11.6% over last year to HK$1,693 million. In RMB, cost decreased by 13.5% which was mainly due to the decrease in wage costs and labour costs resulting from the drop in business volume.

Gross Profit

Gross profit and gross profit margin for 2018 were HK$3,181 million (2017: HK$3,642 million) and 20.0% (2017: 21.9%) respectively. Gross profit and gross profit margin decreased by HK$461 million and 1.9 percentage points over last year respectively, primarily due to the decrease in gross profit from cargo handling business. The lower non-containerised cargo throughput and cargo handling revenue, together with the increase in costs led to the decrease in gross profit and gross profit margin of cargo handling business.

Administrative Expenses

Administrative expenses of the Group decreased by 5.6% over last year to HK$1,805 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$373 million, representing a decrease of HK$144 million over last year, which was mainly due to the increase in interest income of HK$106 million and the inclusion of an exchange gain of HK$281 million last year.

Other operating expenses amounted to HK$255 million, representing an increase of HK$215 million over last year, primarily due to the inclusion of an exchange loss of HK$204 million in 2018.

Finance Costs

Finance costs (excluding capitalised interest) amounted to HK$616 million, an increase of 7.7% over last year. Interest expenses (including capitalised interest) amounted to HK$634 million, representing an increase of 7.4% over last year. The increase in finance costs is due to the higher average borrowing cost than that of 2017.

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$448 million, representing a decrease of HK$54.18 million over last year. There was a decrease in profit from financial business and cargo handling business.

Income Tax

The Group's income tax expenses amounted to HK$263 million, representing a decrease of 44.1% over last year. This was primarily due to the decrease in deferred tax of the Group.

FINANCIAL POSITION

Cash Flow

In 2018, net increase in cash and cash equivalents of the Group amounted to HK$290 million.

The Group continued to generate steady cash flow from its operations. Net cash inflow from operating activities amounted to HK$2,760 million.

Net cash outflow from investing activities amounted to HK$496 million, which included proceeds from sale of financial assets at fair value through other comprehensive income (net of tax) of HK$233 million, receipt of dividends of HK$426 million, an increase of HK$568 million in time deposits with maturity over three months, and capital expenditures of HK$607 million.

Net cash outflow from financing activities amounted to HK$1,973 million, which included payment of dividends and interest expenses of HK$1,661 million, net decrease of HK$409 million in borrowings and capital contribution of HK$112 million from non-controlling shareholders of a subsidiary.

Capital Structure

The equity attributable to equity holders of the Company as at 31 December 2018 was HK$12,224 million, and the net asset value of the Company was HK$2.0 per share (31 December 2017: HK$2.1 per share).

As at 31 December 2018, the Company had an issued share capital of 6,158 million shares and the market capitalisation was HK$5,111 million (at the closing market price of the shares of the Company of HK$0.83 per share on 31 December 2018).

Assets and Liabilities

As at 31 December 2018, the Group's total assets were HK$45,471 million (31 December 2017: HK$47,447 million) and total liabilities were HK$19,582 million (31 December 2017: HK$20,485 million). Net current assets were HK$4,337 million as at 31 December 2018 (31 December 2017: HK$3,060 million).

Liquidity, Financial Resources and Borrowings

As at 31 December 2018, the Group's cash and deposits (including restricted bank deposits and time deposits with maturity over three months) were HK$11,002 million (31 December 2017: HK$10,742 million), which were principally denominated in RMB.

The Group's total borrowings as at 31 December 2018 were HK$15,451 million (31 December 2017: HK$16,409 million), with HK$6,400 million repayable within one year, HK$8,533 million repayable after one year and within five years and HK$518 million repayable after five years. About 30.1% and 69.9% of the Group's borrowings were denominated in HK$ and RMB respectively.

Financial Ratios

As at 31 December 2018, the gearing ratio (total borrowings divided by total equity) of the Group was 59.7% (31 December 2017: 60.9%), and the current ratio (current assets divided by current liabilities) was 1.4 (31 December 2017: 1.3).

Pledge of Assets

As at 31 December 2018, none of the Group's assets were pledged.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2018.

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 2018, most of the Group's assets and liabilities were denominated in RMB except for certain HK$ bank borrowings. In 2018, the exchange rate of RMB was relatively volatile. In the first quarter of 2018, RMB continued its strengthening trend in December 2017 while weakening in April to early-June, and depreciated rapidly from mid-June. Due to the lower exchange rate of RMB at the end of 2018 than that of the end of 2017, exchange loss of HK$204 million (2017: exchange gain of HK$281 million) arose from the translation of foreign currency denominated liabilities held by the Group. As the Group operates its business in the PRC, the fluctuations in RMB exchange rate will affect the Group's results reported in HK$. 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 2018, the Group's total borrowings were HK$15,451 million, of which approximately 86.1% were at floating interest rate while the remaining 13.9% were at fixed interest rate, and the average borrowing interest rate was 4.2% (31 December 2017: 3.9%).

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, 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 2018, additions to property, plant and equipment of the Group amounted to HK$966 million, primarily used for construction of new terminals and depots, and renovation of terminals and depots.

As at 31 December 2018, the Group's capital commitments (including authorised but not contracted for) amounted to HK$3,766 million (31 December 2017: HK$4,800 million), of which HK$3,181 million is for property, plant and equipment and HK$585 million is for investment in an associate.

MATERIAL INVESTMENTS

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

1. 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) invests in, constructs and operates the Tianjin Port Dongjiang Logistics Park project with registered capital of RMB230 million. As at 31 December 2018, the cumulative capital contribution made by the Group was RMB187 million.

2. 天津港海嘉汽車碼頭有限公司 (Tianjin Port Haijia Automobile Terminal Co., Ltd.*) (a non wholly-owned subsidiary of the Group) invests in, constructs and operates the professional automobile ro-ro terminal project with registered capital of RMB400 million. The Group holds 51% equity interest in it and the capital contribution (on a pro rata basis) by the Group amounts to RMB204 million. In 2018, the Group made a capital contribution of RMB102 million. As at 31 December 2018, the Group made its capital contribution in full.

EMPLOYEES

As at 31 December 2018, the Group had approximately 8,300 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 and 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 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 HK2.79 cents per share for the year ended 31 December 2018.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 29 May 2019 (the "AGM"), the final dividend will be payable on Tuesday, 16 July 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 6 June 2019.

CLOSURE OF REGISTER OF MEMBERS

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

1. from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares of the Company 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 Thursday, 23 May 2019; and

2. from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares of the Company 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 Monday, 3 June 2019.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 2018, except for Code Provision E.1.2.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 5 June 2018.

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 2018.

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 final results for the year ended 31 December 2018 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. The 2018 Annual Report of the Company will be published on the website of the Company and the HKExnews website, and despatched to the shareholders of the Company in due course.

By Order of the Board
Tianjin Port Development Holdings Limited
Chu Bin
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the Board comprises Mr. Chu Bin, Mr. Li Quanyong, Mr. Sun Bin, Mr. Wang Junzhong and Ms. Shi Jing as executive Directors; Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong as independent non-executive Directors.

* *for identification purposes only*