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

2017
Annual Report

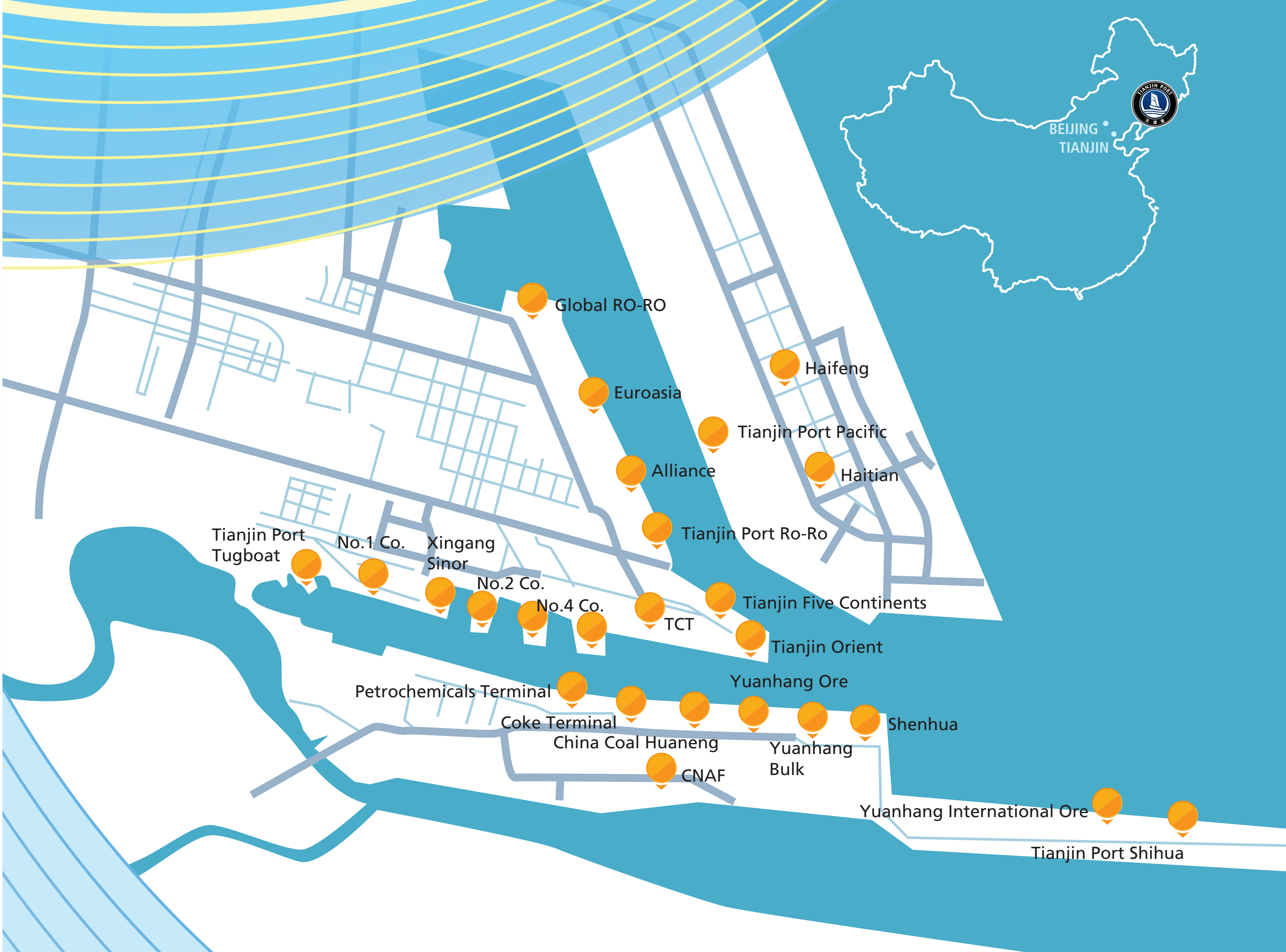
CORPORATE PROFILE

Tianjin Port Development Holdings Limited was listed on The Stock Exchange of Hong Kong Limited on 24 May 2006 (Stock Code: 03382).

The Group first operated as a non-containerised cargo terminal at the port of Tianjin in 1968 and subsequently expanded into container handling business in 1980. In February 2010, the Group completed the acquisition of 56.81% equity interest in Tianjin Port Holdings Co., Ltd. Today, the Group is the leading port operator at the port of Tianjin and is principally engaged in container and non-containerised cargo handling businesses, sales business and port ancillary services business. The Group has advanced container terminals, specialised terminals in handling of coke, coal, ore, Ro-Ro, and a 300,000-tonne crude oil terminal.

The port of Tianjin, located at the juncture of the Beijing-Tianjin city belt and the economic circle of the Bohai Rim Region, is the largest comprehensive port and an important foreign trade port in North China, serving 14 provinces, cities and autonomous regions and a hub connecting Northeast Asia with Midwest Asia. It is one of the coastal ports with the most complete functions in China. In 2017, the port of Tianjin was the seventh largest port in China and the ninth largest port globally in terms of total cargo throughput. In terms of total container throughput, the port of Tianjin ranked sixth in China, which placed it among the top ten largest container ports in the world.

CONTENTS



BEIJING
TIANJIN
Global RO-RO
Haifeng
Euroasia
Tianjin Port Pacific
Alliance
Haitian
Tianjin Port Ro-Ro
Tianjin Port Tugboat
No.1 Co.
Xingang Sinor
No.2 Co.
No.4 Co.
TCT
Tianjin Five Continents
Tianjin Orient
Yuanhang Ore
Petrochemicals Terminal
Coke Terminal
China Coal Huaneng
Shenhua
Yuanhang Bulk
CNAF
Yuanhang International Ore
Tianjin Port Shihua

MILESTONES

1997

- Tianjin Development was listed on the Main Board of the Stock Exchange. The business engaged by the Company was one of the principal businesses of Tianjin Development.

2001

- Renovation of container terminal was completed with designed annual handling capacity raised to 1.6 million TEUs, capable of docking and handling container vessels of 10,000 TEUs.

2004

- The second phase of grain terminal construction project was completed, increasing grain storage capacity to 110,000 tonnes.

- Completion of acquisition of 40% equity interest in Alliance, a container terminal with quay length of 1,100 meters and designed annual handling capacity of 1.7 million TEUs.

2008

2006

- Successfully listed on the Main Board of the Stock Exchange in May 2006 and raised approximately HK$1.26 billion.
- Establishment of Euroasia with COSCO and APMT, a container terminal with quay length of 1,100 meters and designed annual handling capacity of 1.8 million TEUs.

2007

- Establishment of Haifeng, the first logistics warehousing company in Dongjiang Bonded Free Port with a gross floor area of approximately 190,000 square meters.

2010

- Completion of acquisition of 56.81% equity interest in Tianjin Port Co. Achieved total container throughput of over 10 million TEUs in 2010.

2011

- Completion of acquisition of 50% equity interest in Tianjin Port Shihua, a 300,000-tonne crude oil terminal with quay length of 468 meters and designed annual handling capacity of 20 million tonnes.

2014

- Official opening of the 300,000-tonne specialised ore terminal located at Nanjiang Port Area of the port of Tianjin with quay length of 400 meters and designed annual handling capacity of 23 million tonnes.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2017	2016
Total throughput		
Non-containerised cargo (million tonnes)	**268.38**	318.07
Container (million TEUs)	**15.04**	14.49
Consolidated throughput		
Non-containerised cargo (million tonnes)	**212.37**	263.60
Container (million TEUs)	**7.24**	7.02

HK$ million	For the year ended 31 December 2017	2016
Revenue	**16,622**	16,457
Operating profit	**2,195**	2,496
Profit before income tax	**2,126**	2,359
Profit attributable to Shareholders	**775**	530
Basic earnings per share (HK cents)	**12.6**	8.6
Net cash inflow from operating activities	**2,039**	2,918

HK$ million	As at 31 December 2017	2016
Shareholders' equity	**12,725**	11,137
Non-controlling interests	**14,238**	12,979
Total equity	**26,963**	24,116
Total assets	**47,447**	42,337
Total borrowings	**16,409**	14,516
Financial ratios		
Gearing ratio *(Note 1)*	**60.9%**	60.2%
Current ratio	**1.3**	1.8
Net assets per share - book value *(Note 2)* (HK$)	**2.1**	1.8

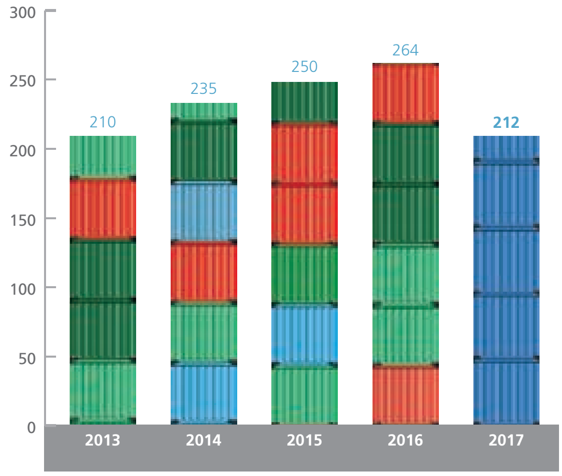
Notes:

1. *Gearing ratio represents total borrowings divided by total equity.*

2. *Net assets per share – book value represents Shareholders' equity divided by the number of issued shares at the year end.*

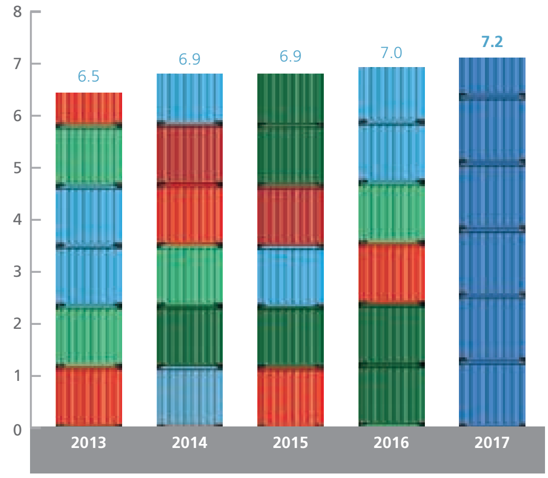
Consolidated non-containerised cargo throughput

(million tonnes)



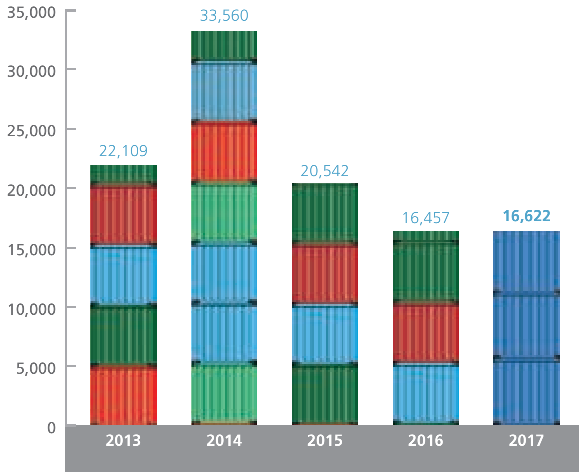
Consolidated container throughput

(million TEUs)



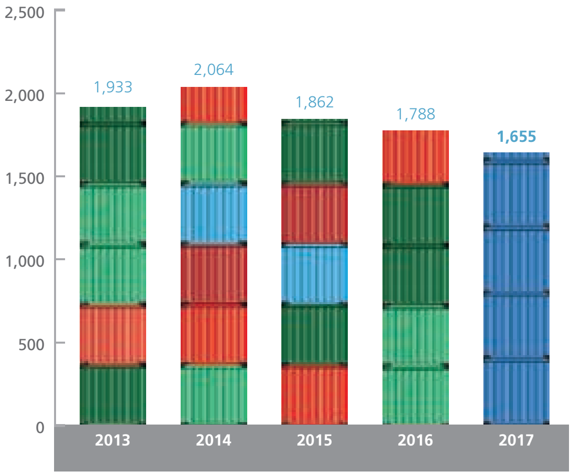
Revenue

(HK$ million)



Profit for the year

(HK$ million)



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of the Group for the year 2017.

In 2017, the global economy experienced a stable recovery momentum along with expedited pace of growth. The U.S. economy grew with a strong momentum and the European economy continued to improve, while the Chinese economy sustained medium-to-high growth and continued to perform within a reasonable range. The global economy experienced synchronized growth. Driven by the recovery of the global economy and the increase in the domestic demand, China's import and export trade showed satisfactory performance. The total value of import and export trade of China rose by 11.4% year-on-year to US$4.1 trillion. As the recovery of the global economy gives rise to the increase in trade demand, the growth rate of cargo throughput of the ports in China was robust at 6.4% in 2017, representing an increase of 3.2 percentage points over 2016 (3.2%). In 2017, the port of Tianjin was the seventh largest port in China and the ninth largest port in the world in terms of total cargo throughput; and ranked sixth among China's ports and was one of the top 10 largest ports in the world in terms of total container throughput.

With the strengthening of the environmental initiatives, the transportation mode of inbound coal was shifted from the combination of truck and rail transportation to rail transportation in 2017, which led to a material change in the transportation mode at the port of Tianjin and posed great challenges to the Group. Total cargo throughput handled by the Group for the year decreased by 8.9% year-on-year to 433 million tonnes, of which total container throughput was 15.036 million TEUs, representing a year-on-year increase of 3.8%. With the solid foundation, the Group strived to minimise the impact by taking a series of actions, including enhancing the communication and cooperation with railway authorities; improving resources allocation to increase railway transportation capacity; communicating actively with customers and encouraging them to change the mode of coal transportation to railway transportation; and promoting the "non-containerised to container" mode for coal transportation to increase container handling of coal.

In 2017, the Company completed the assets transaction with Tianjin Port Co, which has become the main operating platform for the Group's cargo handling and logistics business. After the successful completion of the assets transaction, the Group will step up the efforts in the consolidation of resources, further facilitate the coordination of operation resources, increase resources efficiency, and promote synergies and integration to enhance the overall core competitiveness of the Group.

Profit attributable to shareholders for the year ended 31 December 2017 was HK$775 million and basic earnings per share was HK12.6 cents.

The Board is pleased to recommend the payment of a final dividend of HK5.03 cents per share for 2017, representing a payout ratio of 40% for the year.

Looking ahead in 2018, the global economy will continue to strengthen, the prospect of the U.S. economy will remain positive and the growth momentum of the European economy will sustain. China's GDP growth target is set at around 6.5% which will enable China to achieve a stable growth for the year. The progress of interest rate hike and the balance sheet reduction by the U.S. Federal Reserve warrant attention, which may entail potential risks to the global economy. International trade will continue to benefit from the firm-up of global economic growth. In particular, the further implementation of China's "One Belt and One Road" strategy will present new growth opportunities for China's trade and promote the continuous growth of global trade in 2018, which will bring in new growth impetus and opportunities for China's port. Meanwhile, the increased trade protectionism poses uncertainties to China's port.

Going forward, the Group will seize the huge opportunities presented by the "One Belt and One Road" strategy, the construction of "Xiong'an New Area", the deepening of "Jing-Jin-Ji" integration strategy, and the development of the Tianjin Pilot Free Trade Zone and the Core Functional Zone of Tianjin Northern International Shipping Center. Meanwhile, the Group will expedite the transformation and upgrading of the port functions, focus on quality enhancement and efficiency improvement, facilitate the integration and upgrading of services, and build the safe and green smart port. This will bring new driving forces to the Group's business development, with the aim to achieve sustainable development and deliver a better return to the Shareholders.

On behalf of the Board, I would like to thank our staff for their dedication and persistent contribution, and to express my most sincere gratitude to our customers, suppliers, Shareholders and business partners for their trust and continued support.

Sincerely yours,
ZHANG Ruigang
Chairman

Hong Kong, 27 March 2018

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 HK$ million	2016 HK$ million	Change amount HK$ million	Change percentage
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 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%.

Nature of terminal	Non-containerised cargo throughput			
	2017 million tonnes	2016 million tonnes	Change amount million tonnes	Change percentage
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%.

Nature of terminal	Container throughput			
	2017 '000 TEUs	2016 '000 TEUs	Growth amount '000 TEUs	Growth percentage
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:

Type of business	Revenue			
	2017 HK$ million	2016 HK$ million	Change amount HK$ million	Change percentage
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:

Type of business	Costs			
	2017 HK$ million	2016 HK$ million	Change amount HK$ million	Change percentage
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 天津港海豐保稅物流有限公司 (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.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to a team of dedicated staff for their unfailing service and to our Shareholders for their continuous support to the Group.

By order of the Board
LI Quanyong
Managing Director

Hong Kong, 27 March 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Group reaffirms its commitment towards sustainability with the publication of its second Environmental, Social and Governance ("ESG") report. This report is prepared in compliance with "ESG Reporting Guide" to the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It aims at raising stakeholders' awareness of environmental and social performance as well as sustainable development strategy of the Group. The Board has approved the report and confirms that it is accurate, factual and complete. The report is also available in Chinese. If interested in more details, please visit HKEXnews or the Company's website. However, in case of any difference between the meaning conveyed, the Chinese version shall prevail.

Reporting Scope

This report covers all operations of the Group and describes the initiatives of the Group and progress in respect of ESG issues for the period from 1 January 2017 to 31 December 2017. Corporate governance section are set out on pages 43 to 52 of the annual report.

Feedback

The Company will continue to improve the content and way of publication of the ESG report in the future. For any suggestions, please feel free to contact the Company. Contact information is as follows:

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Tel: (852) 2847 8888
Fax: (852) 2899 2086
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MESSAGE FROM CHAIRMAN

Dear stakeholders:

As the largest integrated port in northern China, the Group has been operating steadily with the goal of sustainable development for several years. Faced with the increasing emphasis on corporate disclosure on sustainable development from the community, the Group has published its ESG report since 2016 in compliance with guidelines of The Stock Exchange of Hong Kong Limited. The Group attaches great importance to operational efficiency of each of its businesses and at the same time shoulders social responsibilities such as environmental protection, employee safety and charity contribution, promoting effective governance to create sustained value for stakeholders, including Shareholders, customers, employees, business partners, government agencies, environmental groups, etc.

The Group is committed to creating a green port with a low carbon footprint. During the year, the Group comprehensively strengthened environmental construction and renovation. Apart from carrying out energy audit and management system certification, it also developed an integrated energy monitoring platform, and promoted the application of new technologies such as shore-powered supply for vessels and green lighting, and also conducted emergency drills for prevention of pollution in the event of oil spillage. During the year, all subsidiaries have completed the project for coal-to-gas conversion of boilers, making a proactive contribution to environmental management of Jing-Jin-Ji region. The Group has remarkable achievements in energy savings and emissions reduction. It has also obtained many environmental awards and is recognized by the national government and the community.

Talent is an important asset for developing our business. The Group adheres to the "people-oriented" management philosophy, commits to offer a safe and comfortable workplace to its employees. The Group implemented the staff collective contract system in order to enhance enthusiasm of the employees. At the same time, we pay attention to the rights and interests of female employees by ensuring equal pay for men and women. Female employees can also participate in annual gynaecological examinations to obtain maternity insurance, which reflects the care of female employees. The Group also emphasizes personal development of employees and helps enhance productivity through training. During the year, the Group focused on training in corporate strategic management, occupational skills as well as policy and regulation.

Regarding occupational health and safety, the Group did not have major work accidents during the year, signifying that the Group places priority on employee safety. In the future, we will continue to improve our production safety responsibility system by investing more resources to improve workplace safety and comfort, and organize "Safe Production Month" campaigns to raise employees' safety awareness.

The Group tries relentlessly to improve the quality of its products and services to meet customer needs, adopting effective management of suppliers by a digitized material procurement model to ensure production safety of the port and highlight the market-oriented operations of the Group. The standardized systems and procedures also ensure that the quality of our products and services is in line with requirements of the Group's occupational safety and environmental management system. In addition, the Group's container business has implemented a "One-Stop-Link" platform to scientifically schedule container handling in the port and to prevent customers from making complaints regarding traffic congestion in the port. During the year, the satisfaction of suppliers and customers exceeded 99%.

The Group strives to unify the goals of promoting business development and contributing to the community. The Group actively supports the underprivileged in the belief of "taking from society, giving back to society". During the year, the Group provided financial assistance to employees with difficulties and migrant workers families, actively promoted youth volunteer service and provide care for children with autism.

Looking forward, the Group will continue to shoulder its share of social responsibilities, promoting sustainable development by strengthening environmental infrastructure and retrofit, creating a safe and comfortable working environment for employees, continuously improving the quality of its products and services as well as proactively contributing to the society.

ZHANG Ruigang
Chairman

Hong Kong, 27 March 2018

SUSTAINABILITY AWARDS

During the "13th Five-Year Plan" period, the Group's subsidiaries and affiliates achieved remarkable results in energy conservation and emission reduction. Environmental awards received by the Group in 2017 are as follows:

Company	Award
Tianjin Orient Container Terminals Co., Ltd.	Ministry of Transport Energy-saving Emission Reduction Project Special Award
Tianjin Port CNAF Terminal Co., Ltd.	Reward Fund for 2017 Green Low-carbon Port Construction Project
Shenhua Tianjin Coal Terminal Co., Ltd.	Tianjin Municipality 2017 Air Pollution Prevention Award (Windbreak Project)

ENVIRONMENTAL PROTECTION

The Group adheres to the philosophy of "leading in energy conservation, achieving green development" and strives to build itself into a green and secure world-class port through achieving resources utilisation efficiency and emission reduction.

Environmental Management

The Group has formulated and implemented a series of environmental protection policies and strictly complies with all relevant environmental laws, including the "Environmental Protection Law of the PRC", the "Law of the PRC on Promoting Clean Production", and the "Regulations of Tianjin Municipality on Promoting Cleaner Production". During the year, the Group were not aware of any non-compliance that have a significant impact on the environment or the Group, including exhaust gas emissions and greenhouse gas emissions, water and land discharge, or the generation of hazardous and non-hazardous waste.

Currently, most of the Group's subsidiaries and affiliates have obtained certification for ISO14001 environmental management system. The Group has implemented assessment measures for environmental protection work of all its subsidiaries and affiliates to strengthen the environmental management. The assessment is divided into two parts: daily inspection and comprehensive assessment, involving various aspects of prevention and control of environmental pollution, afforestation work, the construction of the system for environmental protection work, implementation of environmental protection work plans, investment in environmental protection work, environmental pollution incident handling, education on environmental protection work, etc. During the year, all subsidiaries and affiliates of the Group have met the assessment criteria and passed relevant assessment tests.

According to requirements of the relevant environmental protection laws, the Group requires all new projects to conduct environmental impact assessment before project commencement. The assessments include prediction, analysis, and adoption of mitigation measures against potential pollution during the construction and operational phase of projects. The Group implements strict measures to ensure simultaneous design, construction, and commissioning of environmental protection facilities along with the construction works.

Resources Conservation

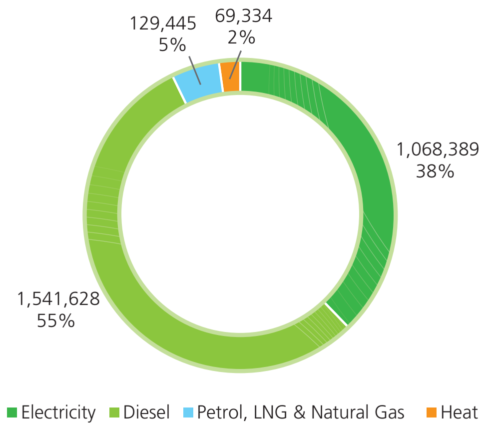
Adhering to the philosophy of "leading in energy conservation, achieving green development", the Group is committed to maximizing resources usage efficiency of its business operations through adopting comprehensive management systems and implementing various resources-saving measures. The Group's business operations involve the use of energy and water resources but do not involve the use of packaging materials.

Energy

The major types of energy consumed by the Group in its business operations include electricity, diesel, petrol, LNG, natural gas and heat, of which electricity and diesel oil account for above 90% of its energy consumption. Energy was mainly consumed by handling equipment, including lighting for door machines, quay bridges, field bridges, etc., port tugboats and freight vehicles.

In 2017, the Group's total energy consumption was 2,808,795 GJ. The total direct energy consumption arising from the use of diesel, petrol, LNG and natural gas by equipment, vessels and vehicles were 36,167 tonnes, 290 tonnes, 2,085 tonnes and 24,750 m^3 respectively. Total indirect energy consumption from the use of electricity and heat were 296,774,650 kWh and 69,334 GJ respectively.

Energy Consumption (GJ)



Types of Energy	Unit	2016	2017
Electricity	kWh	310,145,500	**296,774,650**
Diesel	Tonnes	38,951	**36,167**
Petrol	Tonnes	–	**290**
LNG	Tonnes	–	**2,085**
Natural gas	m^3	–	**24,750**
Heat	GJ	–	**69,334**

The Group's carbon emissions include direct emissions from fuel used, as well as indirect emissions due to purchased electricity and heat consumed. In 2017, the total carbon dioxide emissions generated by the Group amounted to 390,255 tonnes.

Carbon dioxide emissions	Unit	2017
Scope 1: direct carbon emissions	tCO_2e	**120,190**
Scope 2: indirect carbon emissions	tCO_2e	**270,065**
Total	tCO_2e	**390,255**

In accordance with the relevant requirements of the "Law of the PRC on Energy Conservation", the Group has formulated the measures on energy-saving management of key energy-consumption units to establish a closed-loop energy measurement management system with specified management responsibilities at different levels. The energy management system further strengthens the implementation of energy-related laws and regulations, policies, standards and other requirements to establish a long-term energy management mechanism and continuously improve the energy performance level. The Group has also developed an integrated energy monitoring platform to facilitate online collection and analysis of energy statistics and management thereof. Four of the Group's subsidiaries obtained certification of ISO50001 energy management system.

All subsidiaries and affiliates of the Group have completed the projects for coal-to-gas conversion of boilers during the year, making a positive contribution to environmental management of Jing-Jin-Ji region. The Group is dedicated to building itself into a green and low carbon port through adopting various energy saving measures:

1. According to requirements of "Beautiful Tianjin, No.1 Project" in Tianjin, the Group has completed the project for coal-to-gas conversion of boilers in its main building. After the transformation, the integrated energy consumption was decreased by 69% (from 156,480 GJ in 2015 to 48,688 GJ in 2017) within 2 years, greatly reducing the consumption of coal.
2. Since 2016, the Group has prohibited the use of coal-water slurry boiler for winter heating in Nanjiang area and all users are encouraged to use clean energy for environmental transformation. This transformation reduced the consumption of 5,721 tonnes of coal-water slurry and 706,139 kWh of electricity, a total of 122,259 GJ.

Here are examples of energy conservation measures taken by subsidiaries and affiliates during the year:

Case study 1: Tianjin Port Tugboat Lighter Co., Ltd.

The company commissioned China Classification Society Certification Company to formulate energy efficiency management plan for vessels. Besides, the company carried out vessel energy-saving competition. It issued indicators of energy consumption of vessels, and the crew completed the fuel efficiency targets by means of energy-saving operations and optimized working conditions of equipment. This activity greatly enhanced energy conservation awareness of the crew. In June 2017, the company launched the Energy Conservation Week and the Low Carbon Day. The activity raised staff awareness of energy-saving through displaying publicity boards, distributing leaflets, introducing energy-saving and low-carbon technologies and products, etc.

Case study 2: Tianjin Port Logistics Development Co., Ltd.

In 2017, the company successfully introduced and trial BYD Q3M highway electric container tractors. The model is mainly for container terminal operations. The maximum tractive tonnage of the tractor is 60 tonnes with its maximum power of 360 kw and driving range of over 120km. This model of electric container tractor was firstly introduced in China ports and achieve pollution-free and zero emission.

Case study 3: Applications of shore-powered supply for vessels in the port

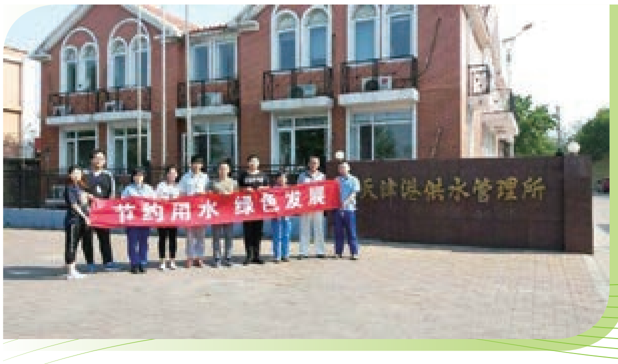
The Group attaches great importance to promotion and application of shore-powered supply technology for vessels. It has constructed vessels using shore-powered supply demonstration projects in Tianjin Port Pacific International Container Terminal Co., Ltd., Tianjin Port Tugboat Lighter Co., Ltd., and CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd.. As of the end of year 2017, the Group had constructed one set of terminal high-voltage shore-powered supply and 44 sets of terminal low-voltage shore-powered supply, fulfilling the requirements of Tianjin Municipality and Binhai New Area Government of "attaining 100% coverage of shore-powered supply for vessels in the port".

Water

In 2017, the Group's total water consumption was 2,373,000 tonnes, which was mainly consumed for production, living and firefighting. The Group strictly complies with the relevant requirements of the "Water Law of the PRC" and the "Regulations of Tianjin Municipality on Water Conservation" and adheres to the principle of "total amount control, strengthen management, scientific utilisation, energy conservation". The Group has implemented water conservation measures, requiring subsidiaries and affiliates to conduct water testing in accordance with GB/T12452-90 "The General Principles of Water Consumption Balance and Testing in Enterprises". Through the testing of pipelines network, subsidiaries and affiliates work out optimal water consumption and take appropriate measures to strengthen water supply management.

In addition, the Group regularly reviews and revises the management measures on water consumption, has established the water supply management platform, adopted the remote-control system, replaced obsolete equipment and pipelines, and carries out real-time monitoring of its subsidiaries and affiliates' water consumption, in order to achieve the goal of water conservation.

During the year, with the theme of "Water Conservation, Green Development", the Group launched a "National Urban Water Conservation Week" in the port. This event raised awareness of employees regarding water conservation through delivering water-saving leaflets and explaining the rational use of water resources.



Emission Management

To build a green port, the Group has formulated and implemented specific management rules in respect of air pollutants, effluent, solid waste, and oil spillage, and strictly abides by the relevant laws and regulations such as the "Law of the PRC on the Prevention and Control of Atmospheric Pollution", the "Marine Environment Protection Law of the PRC", the "Law of the PRC on the Prevention and Control of Water Pollution", the "Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste", the "Law of the PRC on the Prevention and Control of Environmental Noise Pollution" and the "Notice of Action Plan for Prevention and Control of Soil Pollution".

Exhaust Gas

The Group's operations involve emission of sulphur oxide (SOx) and nitrogen oxide (NOx) generated by fuel consumption of vessels, vehicles and handling equipment. During the year, the Group's SOx and NOx emissions were 151 tonnes and 942 tonnes respectively.

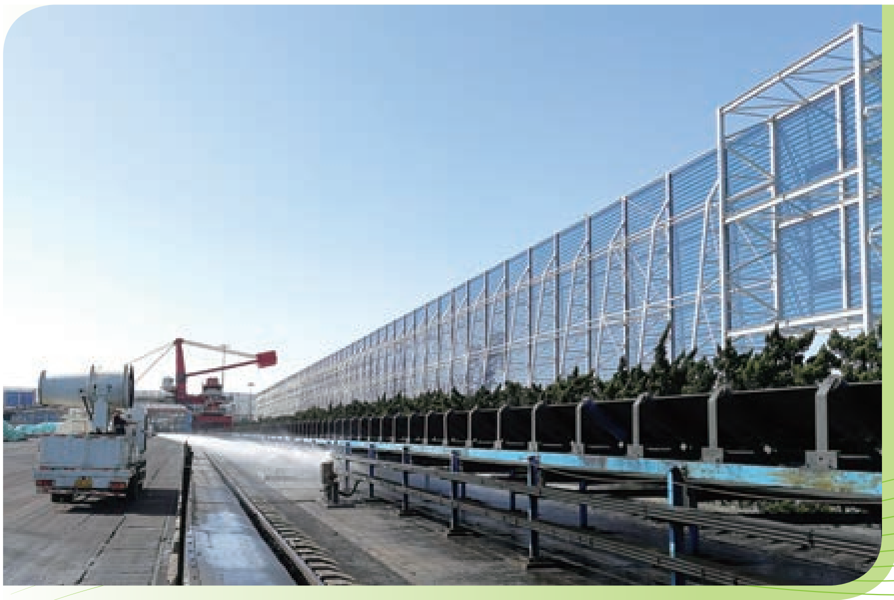
Air pollutants	Unit	2017
Sulphur oxide (SOx)	Tonnes	**151**
Nitrogen oxide (NOx)	Tonnes	**942**

The Group has implemented the air pollution prevention and control regulations to enhance air quality of the port area. Measures have been taken to control the dust from non-containerised cargo handling business and infrastructure construction, flue gas from illegal incineration and emissions from coal-fired boilers.

In respect of non-containerised cargo handling business, the Group strictly implements the non-containerised cargo dust prevention and control regulations such as implementing airtight transportation, setting up vehicle washing facilities and suppressing dust through sprinkler facilities. In terms of construction dust, the Group strictly implements the requirements of "Six Musts" under the "Administrative Regulations of Tianjin Municipality for Civilised Construction of Construction Projects", namely, 1. fences must be set up around the construction sites; 2. places where soils, waste soils and gravels are stacked must be covered up; 3. water must be sprayed on places where earthwork constructions are to be carried out; 4. the grounds must be hardened; 5. the transportation vehicles must be washed; and 6. waste soils vehicles must implement airtight transportation.

Case study: Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.

In 2017, the company further increased investment in environmental facilities and fully started up the construction of windbreak project. The construction project invested a total of RMB80.95 million and was completed in August 2017. The total length of the constructed facility is 3,431 meters with the height of 18 meters. The general form of the windbreak adopted the grid wall structure. Aluminum-zinc plated plate was used in part of the grid wall used with porosity of 20-60%. The project could efficiently reduce the amount of dust in the coal stack yard and reduce pollution to the port, surrounding land and sea to improve the production and living environment.



Sewage

The Group's operations involve generation of domestic sewage, rain sewage and industrial sewage. In 2017, the total domestic sewage generated by the Group was 632,600 tonnes, of which 67% was discharged into Tianjin Nanjiang and Beijiang sewage treatment plant, and the rest either reused by the Group or entered municipal pipe network after being treated by our own sewage treatment facilities.

Meanwhile, the Group has implemented the water pollution prevention and control regulations to ensure normal operations of existing sewage treatment facilities and prevent water pollution generated from the port's infrastructure projects. During the year, the Group's subsidiaries and affiliates owned 12 sets of sewage treatment facilities with a total handling capacity of about 2,251 tonnes of water per day. The processed sewage could be used efficiently for greening irrigation and spraying dust. In 2017, the sewage treatment equipment operations cost amounted to RMB6.87 million.

Case study: Tianjin Port Pacific International Container Terminal Co., Ltd.

The company has a sewage treatment plant, which uses membrane bioreactor[1] (MBR) integrated automatic sewage treatment equipment to recycle sewage, with a daily treatment capacity of 150 tonnes. The treated water is used for road flushing, dust spraying and greening irrigation to achieve the reuse of recycled water resources.

1 Membrane bioreactor is a new type of water treatment technology combined with membrane separation unit and biological treatment unit.

Solid Wastes

Major hazardous wastes generated by the Group's operations include waste oil, waste oil immersed cotton and yarn, waste oil filter, waste circuit boards, waste toner cartridges, waste ink cartridges, and waste batteries. For hazardous wastes, the Group strictly implements the national hazardous waste treatment regulations and formulates the corresponding management systems. The Group has also set up a hazardous waste storage site and at the same time regulate labelling, applied for hazardous waste disposal locators, and has signed the relevant solid waste disposal agreement with qualified disposal units, hence the Group's hazardous waste management achieved legal compliance. In 2017, the Group discharged 253 tonnes of hazardous waste, all of which was processed and disposed by qualified independent institutions.

Solid Wastes	Unit	**2017**
Hazardous waste	Tonnes	**253**
Non-hazardous waste		
Scrap wire rope	Tonnes	**1,763**
Waste cable	Tonnes	**9**
Waste tires	Number	**3,161**

The Group has formulated and implemented the solid wastes prevention and control regulations, which clearly stipulate the collection, transportation and disposal procedures of solid wastes and promote sustainable development of comprehensive utilization of port resources. The management department is responsible to supervise and examine the implementation of the solid waste management measures of each responsible unit and provide technical guidance. In terms of general waste, the Group's operations generated 1,763 tonnes of scrap wire ropes, 9 tonnes of waste cables and 3,161 waste tires.

Oil Spillage Management

The Group's sales business includes supply of fuel to inbound vessels and sales of marine lube oil, while the cargo handling business includes provision of transhipment, cargo handling, storage and transportation services for petrochemical products and other liquid cargoes. To prevent oil spillage or leakage during business operations, the Group has established a relevant safety management system to strictly regulate navigation of bunkering vessels and bunkering procedures, which is reviewed by Tianjin Maritime Safety Administration annually. Moreover, the Group has formulated the pollution prevention regulations for bunkering operation in Winter, the system for prevention of pollution by vessels and the emergency plan for pollution prevention. Emergency drills for pollution prevention have been held on a regular basis.

The Group's subsidiaries and affiliates held the annual joint drill, comprehensive emergency drills (including icebreaking, fire rescue, vessel-shore emergency and environmental emergency drills) and oil spillage emergency drills. During the year, the Group were not aware of any need for reporting oil spillage or leakage incidents to the government.

Greening Project

In 2017, the Group carried out major greening projects as scheduled. The Group had a total greening area of 796,000 m^2, increased by 118,000 m^2 during the year. The Group invested approximately RMB9.6 million for afforestation. The Group plans to launch more greening projects in the coming year, including the landscape project for Tianjin Port Pacific International Container Terminal Co., Ltd.

Greening	Unit	2016	**2017**
Total greening area	m^2	678,000	**796,000**
Green investment	RMB$	12,836,000	**9,584,000**

HARMONIOUS EMPLOYEE RELATIONS

Talent is the key to sustainable business success. The Group adheres to the management philosophy of "people-oriented" to provide employees with a comfortable and safe working environment and emphasizes personal development of employees. Through training, the Group enhances productivity of its employees so as to promote development of the Group's business.

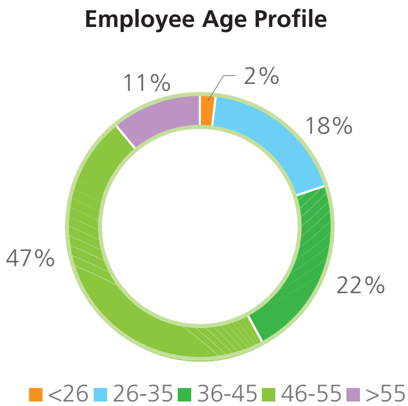
Labour Standard

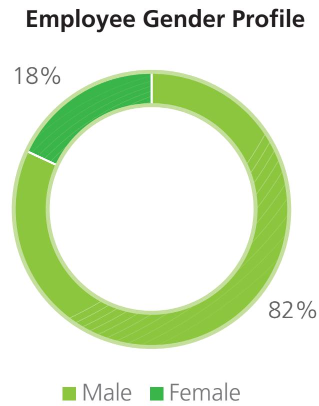
The Group attaches great importance to and respects employees' rights. Therefore, the Group strictly abides by the relevant laws and regulations in order to protect labour rights, including the "Labour Law of the PRC", the "Regulations of Tianjin Municipality on Certain Issues regarding the Implementation of the Labour Contract System" and "Employment Ordinance" (Chapter 57 of the Laws of Hong Kong), etc. During the year, the Group did not find any violations of the employment and labour practices that have a significant impact on the Group.

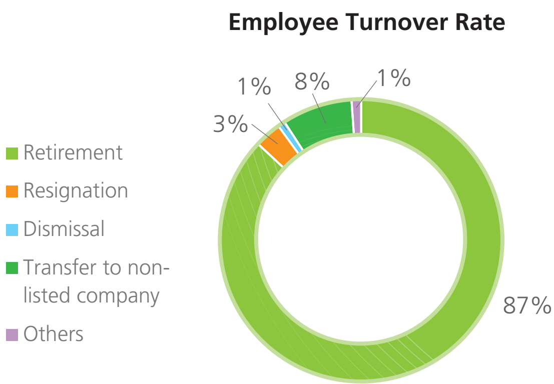
The Group implements a systematic and dynamic human resource policy, covering related issues such as salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other remuneration and benefits. Through implementing the talent recruitment management implementation measures, the Group selects the right candidates for the right positions according to their unique talents and competencies. In the recruitment process, the Group avoids child labour and forced labour. During the year, there were no incidents involving recruitment of child labour and forced labour in the Group.

To assure fair rewards and punishment are given for actions and performance to employees, the Group deploys employees reward system to foster its image and motivation to its staff for creating sustainable business values, and reflect the objectivity of the reward system. The reward system aims to provide fair compensation to employees based on the position, experience, performance evaluation, etc., so as to reinforce accountability of the employees.

The Group vigorously promotes diverse and inclusive human resources for building a corporate culture to address the business challenges faced by the Group. As of the end of 2017, the Group had approximately 9,000 employees, around 47% of whom were aged from 46 to 55 years. The proportion of male and female employees was 82:18. Most of the workforce turnover was due to employee retirement.







Occupational Health and Safety

The Group strives to provide a healthy and safe working environment for its employees in order to safeguard their productivity. In 2017, the Group did not record any work-related deaths or work accidents.

The Group strictly abides by national and local laws and regulations, including the "Law of the PRC on Work Safety" and the "Regulations of Tianjin Municipality on the Safety Management of Enterprises Involving Hazardous Chemicals". During the year, the Group did not find any illegal activities that have a significant impact on the Group in terms of occupational safety and health. The Group has formulated safety production policies and management systems to keep track of issues and items related to health and safety at workplace. The Group has also upgraded its safety production responsibility system by employing third-party consultancies to examine its objectives on safety production and revise emergency procedures in events of health and safety related accidents. The Group's occupational health and safety management system is certified for OHSAS18001.

To pay close attention to whether the Group meets the requirements of the health and safety management system, we have set up safety production assessment to conduct quarterly and irregular inspections for assuring workplace safety. Based on our safety production management procedures, we have carried out continual measurement and monitoring of the corresponding safety issues. Besides, the Group has developed a list of personal protective equipment and provided employees with equipment that meets the specifications which allow employees to use the appropriate protective equipment for each job assignment.

Safety Training

The Group continued to strengthen the management of safety education and training during the year, as well as formulated its annual safety education and training program in 2017. The training focused on key positions such as corporate leaders, team captains, safety management personnel, safety supervision staff, special operators and labour, to enhance the safety responsibility and awareness of all employees. The Group actively carried out all kinds of safety education and training such as general education, accident cases education, laws and regulations, fire safety, emergency management, potential risk investigation, risk management and education as well as special education on hazardous goods management.

During the year, the Group organized the "Safe Production Month" campaigns with the theme of "Fully Implementing the Responsibility of Corporate Safety Production". The activities included jointly organized emergency drill in response to production accident with the Tianjin Municipal Transportation Commission Safety Supervision Department and the Tianjin Nanjiang Maritime Safety Administration in order to strengthen the ability of emergency teams to monitor the situation on site; deploying fire safety work and building micro-fire stations, carrying out various safety culture publicity and consultation activities, such as organizing safety knowledge contests so as to enhance employees' application of safety knowledge in daily operations.

To enhance the efficiency of employees in dealing with fire incidents, the Group organized fire drills such as operational practice of fire extinguishers and fire hydrant as well as fire evacuation of buildings during the year to effectively raise the safety awareness of staff at all levels. The Group also set up specialized safety bulletin boards and safety culture sites, and invited external experts to educate our staff, so as to create a healthy and safe working atmosphere.

Employee Rights and Interests

To promote equal opportunities and break all kinds of discrimination, the Group has set out an employee code of conduct to ensure that employees can perform their duties in a harmonious work environment. The Group does not tolerate any form of discrimination or harassment based on race, gender, religion, or age, etc. The Group is also highly concerned about the rights of female employees in workplace. The Group is committed to strictly enforcing the rules and regulations related to the protection of female employees, such as the "Law of the PRC on the Protection of Women's Rights and Interests". In addition, the Group promotes equal pay for men and women, and female employees can also participate in annual gynaecological examinations to receive maternity insurance, which fully reflects the care of female employees.

In an attempt to further assist employees in securing their rights, the Group has established a labour union which is to formulate or revise the collective labour contracts every 3 years, and organize annual collective wage negotiations and agreement signing with the human resources department. In addition, the union supervises labour protection in accordance with the "Law of the PRC on Work Safety". Over the past several years, the union has organized employees' representatives meeting annually to safeguard employee's rights and establish stable labour relations.

Employee Communication

The Group's achievements are built on the strength of its staff. In this respect, the Group's management has offered a series of communication channels, including irregular employee forums and surveys to allow employees to express their opinions and ideas. In daily operations, employees and managers can communicate with each other and express their ideas through the company's intranet or phone call for creating an atmosphere of open dialogue.

The Group dedicated to participating in beach volleyball and sailing windsurfing races at the PRC 13th National Games. The Group encouraged its employees to participate in the volunteer service of the National Games and organized more than 400 young volunteers. During the 20 days of the event, it successfully completed a total of 162 competitions and the service work for 849 athletes, team leaders and technical officers.

Training and Development

The Group places emphasis on employee training to enable them to continue their development and pursue ideal career paths. The Group implemented the management regulations for employee training, professional skills training for technician, and employee vocational education, which enable systematic management of employee training activities. According to the Group's employment training management system, human resources department assesses the needs of employee training, while employee training centre is responsible for arranging training and providing tailor-made training courses for each job assignment.

In 2017, the Group focused on training in corporate strategic management, vocational skills, risk management as well as policy and regulation. In the meantime, the Group conducted director training programme to discuss the updated issues in capital market and financial reporting standards.

The Group actively promoted continuous learning of its employees by allocating appropriate education expenditure to improve employees' quality of work and providing subsidies to employees who wish to further study. The training goal was to enable employees to explore their talents from the perspectives of case studies, group discussions, strategy games, role play, seminars and interaction. In this way, the Group cultivated the enthusiasm and creativity of its staff so as to enhance the working efficiency and effectiveness in meeting the growth of the Group's business. During the year, the staff training activities of the Group reached approximately 7,000 participants.

OPERATIONAL GOVERNANCE

The Group further improved the quality of its services by maintaining a sustainable supply chain and compliance operations.

Supply Chain Management

The largest component of the Group's supply chain costs is the cost of sales from the sales business, followed by external labour fees and comprehensive services fees and then fuel and utility fees. The Group manages its supply chains through its subsidiaries and affiliates. In order to practice sound corporate governance, the Group has adopted various measures to manage its suppliers and further promotes the complementary operation model of supply chain responsibilities and sustainable development. The Group's subsidiaries and affiliates have a specialized evaluation team to regularly review suppliers by conducting comprehensive assessments of service satisfaction, complaints, irregularities, misconduct and moral aspects to ensure that the products and services provided by suppliers are in line with stringent criteria of relevant employment standards, production safety, environmental safety, social responsibility and moral standards, etc.

The Group's subsidiaries and affiliates hold special meetings with initially evaluated suppliers for further assessment. Through site visits, the assessment group monitors business performance of suppliers. Only qualified suppliers who pass the assessment in meeting and site visit can become official suppliers of the company. A supplier may also become the supplier of the Company through other channels such as temporary supplier replenishment channel and customer recommendation. Under the terms of business ethics in the contract, any supplier who violates the terms of anti-commercial bribe will be disqualified from being as our supplier.

Tianjin Port Goods and Materials Supplying Co., Ltd., a subsidiary of the Group, piloted the Tianjin Port materials trading platform in July 2016. With the continuous development of this trading platform, the material procurement model has been digitized during the year. Led by the new procurement method, the product material procurement management model has been developed to be more standardized, transparent, centralized and information-based. This not only ensures safety of port production but also highlights the market-oriented operations of the Group.

Product Responsibility

The Group is mainly engaged in container and non-containerised cargo handling business and other port ancillary services. We attach great importance to the operation and management of the business and take a series of measures to enhance the quality of the Group's service. During the year, the customer satisfaction rate of the Group was above 99%.

In respect of fuel supply services for sales business, the Group has formulated a quality occupational health and safety and environmental management system according to relevant national laws, regulations and standards, "Marine Fuel Oils" (GB/T17411) and "Petroleum Products – Fuels (class F) – Specifications of Marine Fuels" (ISO8217), that regulates the relevant management procedures for procurement of raw materials, products and services. A dedicated fuel purchasing team conducted sampling tests at the depot before and after procurement of oil products to ensure the quality.

In order to maintain the quality of passenger and cargo transportation services, the Group has introduced a number of measures based on the findings of its customer survey to strengthen the management of passenger and cargo transportation services. For example, the Group put forward 12 service requests to its container terminal companies and implemented a "One-Stop-Link" scientific platform to avoid traffic congestion in the delivery of large-scale container yard, and effectively avoid customer complaints. An audit team was also set up this year, which carried out more than 290 joint inspections and on-site service quality management at night.

In response to extreme weather conditions, the Group sent out 40 timely warnings of extreme weather during the year. 3 emergency arrangements were made, and more than 60 special damage inspections were conducted. Each subsidiary and affiliate also made relevant arrangements according to the guidelines, and put forward rain and tide prevention work, which effectively reduce damage and accidents of the cargo caused by rain and tide.

Anti-corruption

Strictly complying with the "Criminal Law of the PRC" and the "Law against Unfair Competition of the PRC", the Group has established a bribery prevention system and declaration of interest mechanism to prevent any transfer of interests and benefits. China-based entities have implemented the disciplinary and bribery preventing system; Hong Kong-based companies have formulated and implemented employee management regulations to govern the behaviour of Directors and employees. During the year, the Group did not receive any complaints regarding corruption and was not aware of any non-compliance activities relating to blackmail, fraud and money laundering that have a significant impact on the Group.

The Group implemented a number of specific anti-corruption measures to prevent all types of commercial bribery, blackmail, fraud, money laundering and other illegal activities. We carried out discipline inspection and special supervision at management level to ensure smooth flow of government decrees and discipline. To improve the discipline inspection and supervision, we deepened the reform of discipline inspection and supervision system and adjusted the composition of inspection and oversight committees to reassign the duties. We have also established the relevant review mechanism to broaden the channels for identifying problems or issues so as to govern the behaviours of Directors and employees. Carrying out regulations for enforcing and improving the inspection work, the Group conducted internal scrutiny, and set up an information-based management and control platform to improve the internal control mechanism which has significantly enhanced risk prevention and control of the Group through a scientific approach.

In addition, the Group has implemented the employee reward and punishment system and prohibited all employees from abusing their powers or making use of inside information for personal interests such as corruption, misappropriation of public funds, solicitation and acceptance of bribes, kickbacks and commission fees as well as fraud. When necessary, the Group warns, records or dismisses employees who have committed any of the above misconducts.

Meanwhile, the Group has also set up a mechanism for reporting suspicious cases. Employees can report such incidents as immorality, corruption or bribery through letters, visits or phone calls.

In order to raise employees' sense of virtue, the Group actively carries out anti-corruption education activities. During the year, we formulated a specific education program, organized visits to the "Sword Hanging, Bell Beeping" education exhibition, held two-level education conferences and education months.

COMMUNITY CARE

The Group actively supports the underprivileged in the belief of "taking from society, giving back to society". The Group provided financial assistance to employees with difficulties and migrant workers families, actively promoted youth volunteer service and provide care for children with autism.

The Group focuses on its business development as well as its contribution to the society. It actively assists the underprivileged, especially the needy employees and farmer families, and provides them financial assistance. During the year, we visited nearly 245 families with difficulties and granted condolence payments of RMB1.13 million. We also conducted screening of 11 employees to apply for national financial assistance. In addition, the Group organized the Golden Autumn Study Support Campaign and financed a total of 36 employees with difficulties and children of employees from rural areas.

The Group has launched an academic aid program for workers' children and offered online and offline study assistance. During the year, the Group organized the sixth "Dream in Tianjin Port" summer camp to organize 100 outstanding migrant workers families to visit the port and well-known enterprises, conduct social roles experiences, and help their children to experience the city and broaden their horizons.

In order to promote young volunteers service, the Group carries out activities of "Practicing Core Values and Striving to Be a Good Youth of the Port", organizes youth volunteers to do volunteer service and activities such as helping the disabled, donating funds for education, caring for workers' children, doing volunteer service in cruise, participating in volunteer environmental protection walks, and joining the national games volunteer recruitment. A total of 247 members were organized to participate in 29 voluntary service activities.

During the year, the "Xianchuang Caring Team" of Tianjin Port Tugboat Lighter Co., Ltd., a subsidiary of the Group, continued the contribution to youth volunteer service. In the year, it carried out 4 theme volunteer service activities and several small volunteer service activities, including organizing "Being a Special Education Teacher" activities, visiting children with autism and sending them daily necessities; actively responded to the public welfare performance publicity activities organized by Xiangyu Autism Support Centre to call for social understanding and caring for children with autism.

PERFORMANCE DATA SUMMARY

		Unit	2017
Workforce Demographics	**Total Headcount**		**8,990**
	By Age		
	<26		144
	26-35		1,616
	36-45		1,997
	46-55		4,205
	>55		1,028
	By Gender		
	Male		7,407
	Female		1,583
	Employees Training		
	Total training person-times		6,864
Health and Safety	**Performance of Occupational Health and Safety**		
	Work-related injuries		0
	Lost days due to work-related injury		0
	Work-related fatalities		0
Environment	**Total Resources Consumption**		
	Electricity	kWh	296,774,650
	Diesel	Tonnes	36,167
	Petrol	Tonnes	290
	LNG	Tonnes	2,085
	Natural gas	m^3	24,750
	Heat	GJ	69,334
	Water	Tonnes	2,373,000
	Emissions		
	GHG emission		
	Scope 1: direct carbon emission	tCO_2e	120,190
	Scope 2: indirect carbon emission	tCO_2e	270,065
	Total	tCO_2e	390,255
	Air pollutants		
	Sulphur oxide (SOx)	Tonnes	151
	Nitrogen oxide (NOx)	Tonnes	942
	Effluent		
	Wastewater discharge	Tonnes	632,600
	Solid Waste		
	Hazardous waste	Tonnes	253
	Non-hazardous waste		
	– Waste wire rope	Tonnes	1,763
	– Waste cable	Tonnes	9
	– Waste tires	Number	3,161

ESG CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Protection-Emission Management
	KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection-Emission Management
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection-Resources Conservation
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection-Emission Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection-Emission Management
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection-Emission Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection-Emission Management
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.		Environmental Protection-Resources Conservation
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection-Resources Conservation
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection-Resources Conservation
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection-Resources Conservation
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Protection-Resources Conservation
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The operation of the Group did not involve the substantial use of packaging materials.

KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
Aspect A3：The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.		Environmental Protection-Environmental Management
	KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection-Greening Project
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Harmonious Employee Relations
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Harmonious Employee Relations-Labour Standard
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Harmonious Employee Relations-Occupational Health and Safety
	KPI B2.1	Number and rate of work-related fatalities.	Harmonious Employee Relations-Occupational Health and Safety
	KPI B2.2	Lost days due to work injury.	Performance Data Summary
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Harmonious Employee Relations-Occupational Health and Safety
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Harmonious Employee Relations-Training and Development
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Harmonious Employee Relations-Labour Standard
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Harmonious Employee Relations-Labour Standard
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	During the reporting period, there was no non-compliance report

KPIs	HKEX ESG Reporting Guide Requirements		Section/Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.		Operational Governance-Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operational Governance-Supply Chain Management
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Operational Governance-Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operational Governance-Product Responsibility
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operational Governance-Product Responsibility
	KPI B6.4	Description of quality assurance process and recall procedures.	Operational Governance-Product Responsibility
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Operational Governance-Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	During the reporting period, no report of corruption litigation was received.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operational Governance-Anti-corruption
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Care
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Care
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Care

CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

ZHANG Ruigang

Chairman

Aged 55, was appointed as an executive Director and chairman of the Board on 22 April 2016. Mr. Zhang holds postgraduate qualification and doctorate degree in economics, is a certified public accountant (non-practising) and is designated the qualification as a senior economist. In the period between March 1992 and March 2016, Mr. Zhang had served as deputy chief of general office, chief of general office, assistant to director and deputy director of Tianjin Economic-Technological Development Area (天津經濟技術開發區) ("TEDA") Audit Bureau, deputy manager and manager of Planning and Finance Department of TEDA Corporation, the director of TEDA Financial Bureau and the director of TEDA State-owned Assets Administration Bureau, deputy director of TEDA Administrative Committee (天津經濟技術開發區管理委員會), deputy director of Tianjin Binhai New Area ("TBNA") Administrative Committee (天津市濱海新區管理委員會) and first deputy head of the People's Government of TBNA. Mr. Zhang has been appointed as the chairman of Tianjin Port Group in March 2016.

LI Quanyong

Managing Director, Member of Nomination Committee

Aged 55, was appointed as an executive Director and the managing director of the Company on 8 April 2010. He is also a member of the Nomination Committee. Mr. Li holds a master's degree in engineering and senior economist qualification, and has over 20 years of experience in operation management and capital operation in listed companies. Mr. Li was the company secretary and deputy general manager of Tianjin Port Co from March 1992 to July 1998. He was a director, company secretary and the general manager of the securities department of Tianjin Port Co from August 1998 to January 2004. Mr. Li was appointed as a director and deputy chief executive officer of Tianjin Port Co in January 2004, the chief executive officer of Tianjin Port Co from February 2007 to April 2010 and the vice chairman of Tianjin Port Co from April 2010 to November 2017. Mr. Li acts as the chief economist of Tianjin Port Group from January 2009 to January 2018. Mr. Li has been appointed as the deputy chief executive officer of Tianjin Port Group in January 2018.

WANG Rui

Deputy General Manager, Member of Remuneration Committee

Aged 55, was appointed as an executive Director and deputy general manager of the Company on 28 March 2011. He is also a member of the Remuneration Committee. Mr. Wang holds senior engineer qualification. He graduated from the Department of Mechanical Engineering in Tianjin University of Technology and Education (天津職業技術師範學院) in 1987, completed the professional course in Administration Management in Tianjin University in 2000, and holds a postgraduate and master's degree from Dalian Maritime University (大連海事大學) in Transportation Planning and Management in 2009. Mr. Wang has extensive experience in port management. Mr. Wang joined Tianjin Port Group in 1983; he was the lecturer and the head of department in the Tianjin Water Transport Technical School (天津水運技校) and Tianjin Port Training Centre (天津港培訓中心). He was the deputy general manager, the general manager of Tianjin Port Holdings Co., Ltd. Storage & Transportation Branch (天津港股份有限公司儲運分公司) from 1996 to 2006. Mr. Wang was also the general manager of Tianjin Port International Logistics Development Co., Ltd. (天津港國際物流發展有限公司) from 2006 to 2010.

YU Houxin

Aged 53, was appointed as an executive Director on 9 December 2015. Mr. Yu holds a master's degree in management and senior engineer qualification. Mr. Yu joined Tianjin Port Group in August 1985 and was division head and deputy head of the planning and construction department, head of the corporate development department of Tianjin Port Group; general manager of Tianjin Lingang Chanye Investment Holdings Co., Ltd. (天津臨港產業投資控股有限公司). Mr. Yu has extensive experience in management of construction projects and was the team leader of the preparatory teams for Tianjin Port 300,000-tonne crude oil terminal and LNG terminal. Mr. Yu is currently the head of the planning and construction department of Tianjin Port Group.

SHI Jing

Aged 47, was appointed as an executive Director on 16 September 2014. Ms. Shi graduated from the Tianjin University of Finance and Economics with a bachelor's degree in economics in 1992 and a master's degree in economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. Shi joined Tianjin Development Holdings Limited (Stock code: 00882) ("Tianjin Development") since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd., a wholly-owned subsidiary of Tianjin Development, and general manager of audit and legal affairs department of Tianjin Development. Prior to joining Tianjin Development, she was a commissioner of finance of Ting Hsin International Group (頂新國際集團), vice president of Fengyuan Consulting (Shanghai) Co., Ltd. (豐元諮詢 (上海) 有限公司) and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. Shi is currently the assistant to general manager of Tianjin Development, a director of Tsinlien Group Company Limited ("Tsinlien") and the assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), both being the controlling shareholders of Tianjin Development, a director of Leadport Holdings Limited, as well as a director of certain subsidiaries of Tianjin Development and Tsinlien. She is also a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 00828) and Binhai Investment Company Limited (Stock Code: 02886), companies whose shares are listed on the Main Board of the Stock Exchange, and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393), a company whose shares are listed on the Shenzhen Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Japhet Sebastian LAW

Chairman of Remuneration Committee, Member of Audit Committee

Aged 66, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. Prof. Law obtained his doctorate degree of Philosophy in mechanical/industrial engineering from the University of Texas at Austin in 1976. He was a Professor in the Department of Decision Sciences and Managerial Economics of the Chinese University of Hong Kong from 1986 until 2012, the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Prof. Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of The Government of the HKSAR and various other government advisory committees, and is also active in serving on the boards of profit, non-profit, and charitable organisations in Hong Kong and overseas.

Prof. Law is currently an independent non-executive director of Beijing Capital International Airport Co., Ltd. (Stock Code: 00694), Binhai Investment Company Limited (Stock Code: 02886), Regal Hotels International Holdings Limited (Stock Code: 00078) and Shougang Fushan Resources Group Limited (Stock Code: 00639), companies whose shares are listed on the Main Board of the Stock Exchange, Global Digital Creations Holdings Limited (Stock Code: 08271) and Tianjin Binhai Teda Logistics (Group) Corporation Limited (Stock Code: 08348), companies whose shares are listed on the GEM of the Stock Exchange.

CHENG Chi Pang, Leslie

Chairman of Audit Committee, Member of Nomination Committee

Aged 60, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Cheng obtained his master's degree in Laws (Chinese and Comparative Law) from City University of Hong Kong in July 2009, and a master's degree in business administration from Heriot-Watt University in the United Kingdom in 1997. He also obtained his bachelor's degree in business from Curtin University of Technology, Australia in 1992. Mr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Mr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 30 years of experience in auditing, business advisory and financial management. Mr. Cheng is currently a senior partner of Leslie Cheng & Co. Certified Public Accountants and the chief executive officer of L&E Consultants Limited.

Mr. Cheng is currently an independent non-executive director of China Ting Group Holdings Limited (Stock Code: 03398) and Fortune Sun (China) Holdings Limited (Stock Code: 00352), companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. Cheng was the chief executive and group financial controller of NWS Holdings Limited (Stock Code: 00659), a company whose shares are listed on the Main Board of the Stock Exchange, from February 2003 to March 2005 and a director of over 70 subsidiaries and associated companies of NWS Holdings Limited and New World Development Company Limited (Stock Code: 00017), a company whose shares are listed on the Main Board of the Stock Exchange, from March 1992 to March 2005.

The Company has received confirmation from Mr. Cheng that he had relinquished the honorary doctorate degree in Business Management which was awarded to him by the Burkes University on 27 November 2003, and he will not use such honorary title in the future.

According to Mr. Cheng, he received an e-mail in 2003 from Burkes University stating that Mr. Cheng had been short-listed by the Honorary Doctorates Committee of Burkes University for the conferment of the Honorary Degree. Mr. Cheng did check the source of the email, and it seemed to him at that time that it was not a scam email or an email from a mendacious email address. Mr. Cheng was fully aware that this kind of doctorate degree is honorary in nature, and it did not represent that he had made any significant academic achievement in the accounting profession in Hong Kong or otherwise or contributed to the society or community at which Burkes University was located. Mr. Cheng followed the procedures prescribed in the e-mail and submitted the relevant application documents to Burkes University for consideration. Subsequently, Mr. Cheng received the original certificate of the Honorary Degree dated 27 November 2003 issued by Burkes University.

Based on public information, there have been allegations that Burkes University had not obtained the required licence from the relevant government authority and is not a recognised university. There is no current website for Burkes University. According to Mr. Cheng, he could not find any information to confirm the status of Burkes University as at the time when the Honorary Degree was awarded to him. For the sake of prudence, he had relinquished the honorary doctorate degree in Business Management which was awarded to him by the Burkes University on 27 November 2003, and he will not use such honorary title in the future.

ZHANG Weidong

Chairman of Nomination Committee, Member of Audit Committee, Member of Remuneration Committee

Aged 53, was appointed as an independent non-executive Director on 28 June 2012. He is also the chairman of the Nomination Committee, a member of the Remuneration Committee and the Audit Committee. Mr. Zhang holds a master's degree from Renmin University in Economics, a diploma of Programme for Management Development of Harvard Business School, and held a fellowship from Columbia University in New York.

Mr. Zhang is currently the executive director and the deputy chief executive officer of OP Financial Investments Limited (Stock Code: 01140), a company whose shares are listed on the Main Board of the Stock Exchange. He is also the general manager of Jin Dou Development Fund, L.P., a joint venture investee of China Investment Corporation (CIC) and OP Financial Investments Limited, and a partner of Oriental Patron Financial Group primarily responsible for private equity investments. Mr. Zhang has over 13 years of experience in the operation and management of commercial banking, during which he worked in the international business department of the Industrial and Commercial Bank of China Limited ("ICBC") with final position level as deputy general manager of department, including 3 years in ICBC Almaty Branch, where he was in charge of treasury, credit lending and office operations. Moreover, Mr. Zhang has 11 years of investment banking experience, served as executive director of ICEA Finance Group (the investment banking arm of ICBC) and managing director of Alpha Alliance Finance Holdings, responsible for corporate finance and sales department respectively.

Mr. Zhang is currently an independent non-executive director of ZZ Capital International Limited (Stock Code: 08295), a company whose shares are listed on the GEM of the Stock Exchange.

SENIOR MANAGEMENT

SUN Bin

Aged 40, was appointed as deputy general manager of the Company on 15 December 2017. Mr. Sun obtained a bachelor's degree in international economic law from Shanghai Maritime Institute (上海海運學院) in 2000 and a master's degree in international commercial law and European Law from the University of Sheffield in the U.K. in 2003. Since joining Tianjin Port Group in 2010, Mr. Sun had held a number of positions from November 2010 to November 2017, including assistant to head, deputy head and head of the corporate development department of Tianjin Port Group, and chief of the corporate legal advisory office and the secretary to the board of Tianjin Port Group. Before joining Tianjin Port Group, Mr. Sun was head of the business department of Tianjin Lingang Chanye Investment Holdings Co., Ltd. (天津臨港產業投資控股有限公司). Prior to that, Mr. Sun has been working for Sinochem Group (中國中化集團公司) and Sinochem Tianjin Port Petrochemical Warehousing Co., Ltd. (中化天津港石化倉儲有限公司) in legal, compliance control, business preparation and relevant areas.

MA Suqin, Susan

Aged 45, was appointed as a deputy general manager of the Company on 28 March 2012. Ms. Ma obtained her master's degree in Economics from Fudan University in 1999 and subsequently went to the Wharton School of the University of Pennsylvania as a visiting scholar in 2008. She is also a CFA charterholder. Ms. Ma is a seasoned investment banker with over 12 years of investment banking experience in Hong Kong and mainland China. Prior to joining the Company, Ms. Ma was the Chief Representative of Beijing Representative Office of RBS Asia Corporate Finance Limited. Before that, Ms. Ma was engaged in overseas and mainland China investment banking businesses at Citigroup Global Markets Asia Limited, China Merchants Securities (HK) Co., Ltd., Everbright Securities Co., Ltd. and China Merchants Securities Co., Ltd.

CHAN Yeuk Kwan, Winnie

Aged 49, was appointed as the Chief Financial Officer and Company Secretary of the Company on 1 May 2011. Ms. Chan holds bachelor's degrees in administrative studies and statistics, and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan joined the Company in September 2007 as finance manager, responsible for the accounting and financial reporting functions and corporate regulatory and compliance affairs. Prior to joining the Company, Ms. Chan worked at a listed company in Hong Kong and was responsible for the accounting and financial reporting functions. Ms. Chan has extensive experience in accounting and financial management.

The Company is committed to attaining and maintaining high standards of corporate governance as the Board recognises that effective corporate governance can enhance transparency of the Company's business, ensure the Company is accountable to the Shareholders and meet the expectations of Shareholders and other stakeholders, and lead the Company to ultimate success.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the CG Code throughout the year ended 31 December 2017.

The following sections set out how the principles in the CG Code have been complied with by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by 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.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2017, the Board consists of eight Directors, comprising five executive Directors namely ZHANG Ruigang (Chairman), LI Quanyong (Managing Director), WANG Rui, YU Houxin and SHI Jing, and three independent non-executive Directors namely Japhet Sebastian LAW, CHENG Chi Pang, Leslie and ZHANG Weidong.

The biographical details of current Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report and on the Company's website at www.tianjinportdev.com. In addition, a list containing the names of the Directors and their role and function is published on the Company's website at www.tianjinportdev.com and the HKExnews website at www.hkexnews.hk.

None of the Directors have any financial, business, family or other material/relevant relationship(s) with each other, in particular, between the Chairman and the Managing Director.

In accordance with Article 108 of the Articles of Association, LI Quanyong, YU Houxin and SHI Jing shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Responsibilities of the Board

The Board is responsible for overseeing the businesses, overall strategic directions, corporate governance, risk management and internal control, environmental, social and governance, and operational and financial performances of the Group. Daily operations and administration of the Company are delegated to the management and supervised by the executive Directors.

Board Meetings

Regular Board meetings are held at least four times a year. At least 14 days' notice is given of a regular Board meeting. Reasonable notice is given for holding additional meetings as and when necessary. The Company Secretary assists the chairman of the Board in preparing the agenda for each meeting. The agenda and Board papers are despatched at least 3 days before the date of regular Board meeting to enable the Directors to have full and timely access to relevant information. The Board decisions are voted upon at the Board meetings. The Company Secretary records all matters considered and decisions reached by the Board and any concerns raised or dissenting views expressed by the Directors. Minutes of the meetings are kept by the Company Secretary.

Attendance at Board Meetings and General Meetings

The Company held eight full Board meetings and an annual general meeting and two extraordinary general meetings in 2017.

The attendance of each Director at the meetings held in 2017 is set out below:

	Attendance/Number of meetings held during Director's tenure		
	Board Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors			
ZHANG Ruigang	8/8	1/1	2/2
LI Quanyong	8/8	1/1	2/2
WANG Rui	8/8	1/1	2/2
YU Houxin	8/8	0/1	1/2
SHI Jing	8/8	0/1	0/2
Independent Non-executive Directors			
Japhet Sebastian LAW	8/8	1/1	2/2
CHENG Chi Pang, Leslie	8/8	1/1	2/2
ZHANG Weidong	8/8	1/1	2/2

In addition to Board meetings, a meeting of the Chairman and the independent non-executive Directors without the presence of executive Directors and the management was held in 2017.

Appointment, Re-election and Removal of Directors

Each of the executive Directors entered into a service contract for a specific term of three years. Each of these contracts may be terminated by either party to the other giving not less than three months' notice in writing.

The independent non-executive Directors are appointed for a specific term of two years.

According to the Articles of Association, all Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

Induction and Development

Induction programme is arranged for each newly appointed Director upon their appointment to ensure that the Director has a firm understanding of the Group's operations and governance policies as well as their associated role and responsibilities.

All Directors are committed to participating in continuous professional development to update and refresh their skills and knowledge necessary for the performance of their duties. The Company from time to time updates the Directors on the latest development on the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

In 2017, the Group provided updates to all Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements. All Directors, namely, ZHANG Ruigang, LI Quanyong, WANG Rui, YU Houxin, SHI Jing, Japhet Sebastian LAW, CHENG Chi Pang, Leslie and ZHANG Weidong attended an in-house seminar covering Listing Rules compliance updates. Each of the Directors also participated in continuous professional development programmes such as reviewing updates on regulatory requirements, attending conferences and external seminars organised by qualified professionals.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the principles and approach to achieve diversity on the Board. The nomination committee of the Company (the "Nomination Committee") is responsible for the review of the Board Diversity Policy from time to time to ensure its effectiveness.

The Board Diversity Policy is summarised as follows:

– the Company ensures that its Board has the appropriate balance of skills, experience and diversity of perspective of the Board to support the execution of its business strategy and in order for the Board to be effective; and

– selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board's appointment should be based on meritocracy and diversity of perspectives appropriate for the Company's business and specific needs and the contribution that the selected candidates will bring to the Board.

CHAIRMAN AND MANAGING DIRECTOR

The roles of the chairman and managing director of the Company are segregated and the positions are held by separate individuals.

The chairman of the Company is responsible for leading the Board, ensuring that the Board works effectively and discharges its responsibilities and that all key and relevant issues are discussed in a timely manner. The chairman should ensure that sound corporate governance practices and procedures are established at the Company and promote the Directors to make effective contribution to the Board.

The managing director of the Company is responsible for leading the management and daily operation of the Group and implementation of approved business strategies and policies, and should ensure the effective implementation of such strategies and policies so as to achieve the objectives set by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are highly qualified professionals with extensive experiences in areas including accounting, finance and corporate management.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all of the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and considers them to be independent.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Nomination Committee, the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee"). The specific terms of reference and list of membership of all the Board Committees are published on the Company's website at www.tianjinportdev.com and the HKExnews website at www.hkexnews.hk.

The attendance of each member of the Board Committees at the meetings held in 2017 is set out below:

	Attendance/Number of meetings held		
	Nomination Committee	Remuneration Committee	Audit Committee *(Note)*
Executive Directors			
LI Quanyong	1/1	N/A	N/A
WANG Rui	N/A	4/4	N/A
Independent Non-executive Directors			
Japhet Sebastian LAW	N/A	4/4	4/4
CHENG Chi Pang, Leslie	1/1	N/A	4/4
ZHANG Weidong	1/1	4/4	4/4

Note: Representative of the external auditor participated in 2 Audit Committee meetings held in 2017.

Details of the Board Committees, including their members, responsibilities and the work performed during 2017 are set out below.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely CHENG Chi Pang, Leslie and ZHANG Weidong, and one executive Director, LI Quanyong. ZHANG Weidong is the chairman of the Nomination Committee.

The Nomination Committee is responsible for, amongst other things, identification of qualified individuals and making recommendations to the Board for directorships, making recommendations on the appointment or reappointment of Directors and succession planning for Directors, assessing the independence of independent non-executive Directors, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board on an annual basis, and reviewing the Board Diversity Policy, as appropriate.

The major work performed by the Nomination Committee during the year ended 31 December 2017 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
– independence of independent non-executive Directors.
– Directors for re-election at the annual general meeting held in 2017.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Japhet Sebastian LAW and ZHANG Weidong, and one executive Director, WANG Rui. Japhet Sebastian LAW is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for, amongst other things, making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, determining, with delegated responsibilities, the remuneration packages of individual executive Directors and senior management, reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board, and recommending to the Board the remuneration of non-executive Directors. No Director is involved in determining his or her own remuneration.

The major work performed by the Remuneration Committee during the year ended 31 December 2017 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– terms of Directors' service contracts.
– remuneration policy and remuneration package for Directors and senior management.
– discretionary bonus for Directors and senior management with reference to their performance and the annual results of the Group.

Remuneration Package for Directors and Senior Management

The remuneration package for executive Directors and senior management comprises basic salary, discretionary bonus and pensions. Discretionary bonus is determined with reference to the annual results and the employees' performance.

In order to attract, retain and motivate the best talent, including the Directors, the Company has adopted a Share Option Scheme (as defined in the section headed "Share Option Scheme" in the Directors' Report). The scheme enables eligible persons to obtain ownership interest in the Company and thus serves to motivate continual optimum contributions to the Group. The Share Option Scheme was expired on 25 April 2016.

Details of the Directors' emoluments during the year ended 31 December 2017 are set out in Note 7 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and Note 21 to the consolidated financial statements.

Pursuant to the CG Code provision B.1.5, the remuneration of senior management who are not executive Directors by band for the year ended 31 December 2017 is set out below:

Remuneration band	2017 Number of individuals
Nil—HK$1,000,000	1
HK$2,000,001—HK$2,500,000	2

Audit Committee

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 Audit Committee is responsible for, amongst other things, making recommendations to the Board on the appointment, re-appointment and removal of external auditor, and approvals of its terms of engagement, reviewing and monitoring external auditor's independence and effectiveness of audit process, reviewing the financial information of the Group and overseeing the Group's financial reporting system, risk management and internal control systems.

The major work performed by the Audit Committee during the year ended 31 December 2017 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- financial statements and continuing connected transactions included in the Annual Report and audit findings by external auditor.
- interim financial statements included in the Interim Report and findings by external auditor.
- internal audit plan and reports.
- risk management plan and reports.
- effectiveness of the risk management and internal control systems of the Group.
- re-appointment of external auditor and its remuneration.
- adequacy of resources, staff qualifications and experiences, training programmes and budget of the accounting, internal audit and financial reporting functions of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for, amongst other things, developing and reviewing of the policies and practices on corporate governance of the Company, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing the Company's compliance with the CG Code and the disclosure in the annual report.

The major work performed by the Board during the year ended 31 December 2017 included reviewing and, where applicable, approving the following matters:

- the Company's policies and practices on corporate governance.
- training and continuous professional development of Directors and senior management.
- the Company's policies and practices on compliance with legal and regulatory requirements.
- compliance with the CG Code and Corporate Governance Report disclosure.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services was HK$2,400,000 and HK$622,400 respectively. The non-audit services were in relation to assets restructuring with Tianjin Port Co and tax advisory services.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the consolidated financial statements for each financial year which give a true and fair view of the results and financial position of the Group. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board consistently adopted the appropriate accounting policies and made prudent and reasonable judgements and estimates. On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. Accordingly, the Group continues to prepare its consolidated financial statements on a going concern basis.

The statement by the external auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 71 to 74.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Audit Committee assists the Board to monitor risk management and internal control systems and reports to the Board on a regular basis. The Board should review the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls. The risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year ended 31 December 2017, the Company has conducted an annual review on the risk management and internal control systems of the Group. The Board has reviewed and confirmed the adequacy and effectiveness of the Group's risk management and internal control systems in all material aspects including financial, operational, compliance controls and risk management functions. The report of the review has been reviewed by the Audit Committee and discussed by the Audit Committee with the Board.

RISK MANAGEMENT STRUCTURE AND MAIN RESPONSIBILITIES

Board

- formulates the strategic objectives of risk management, and evaluates and determines the nature and extent of risks it is willing to take in achieving the strategic objectives.
- ensures the Group establishes and maintains appropriate and effective risk management and internal control systems.
- reviews the effectiveness of risk management and internal control systems.

Audit Committee

- assists the Board to monitor risk levels as well as the design and operational effectiveness of risk management and internal control systems.
- discusses the risk management and internal control systems with the management to ensure that the management has performed its responsibility to establish effective systems.
- ensures the adequate resources and appropriate status of the internal audit function; and reviews and monitors its effectiveness.

Management

- designs, implements and monitors the risk management and internal control systems.
- assesses major risks and risk response plans.

Risk Management Department

- responsible for the daily risk management.
- develops policies and practices on identifying, assessing, monitoring and controlling risks.
- designs and implements the risk management and internal control structure, and ensures the consistent implementation and compliance of the structure and related policies and practices.
- continues to monitor risks and report to the Audit Committee to ensure that the major risks are within the acceptable level of the Company.

Internal Audit

- analyses and evaluates independently the adequacy and effectiveness of the risk management and internal control systems.
- reports directly to the Audit Committee the findings of the review and makes recommendations for improvement.

Business Units

- promote and implement the risk management procedures and internal control measures.
- update on an ongoing basis the risks, risk management and other related progress.
- formulate and implement the risk response plans.
- monitor risks and report the risk information on a timely basis.

PROCESS FOR IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

Risk Identification:	Identifies and documents major risks that affect the realisation of the Company's goals.
Risk Assessment:	Develops applicable risk assessment criteria, conducts risk analysis based on the degree of impact and the likelihood of occurrence and assesses the risks identified.
Risk Response:	Evaluates the risk response plans and selects suitable risk response measures to prevent, avoid or mitigate the risks.
Risk Control:	Evaluates the adequacy of the current internal control measures in response to the major risks and its effectiveness, makes recommendations and enhancement initiatives, so as to ensure that the internal control measures cover the requirements of risk response measures.
Risk Monitoring:	Performs ongoing and periodic monitoring of major risks and internal control measures and ensures that appropriate risk management and internal control procedures are in place; monitors changes in both external and internal environments, including revision of risk response measures, risk management and internal control procedures.
Risk Reporting:	Reports regularly on risk management, so as to enable the management, the Audit Committee and the Board to effectively gain information on and understand the situation of the current major risks related to strategy, operation as well as financial and legal aspects.

Internal Audit Function

The Company has set up the audit department to perform internal audit function, which reports directly to the Audit Committee. The audit department will develop internal audit plan for the year and submit it to the Audit Committee for approval. An audit report will be issued upon completion of each internal audit. In addition, the audit department will attend meetings of the Audit Committee and report regularly to the Audit Committee about the progress of its audit plan and the follow-ups of audit findings and recommendations to ensure the internal control system is effective.

Inside Information Disclosure Policy

The Company has adopted an inside information disclosure policy which sets out procedures for handling and disclosure of inside information, which includes:

- designated reporting channels for different operation units to inform any potential inside information to designated departments.
- designated persons and departments to determine further escalation and disclosure as required.
- designated persons authorised to act as spokespersons and respond to external enquiries.

The inside information disclosure policy provides guideline for the employees, so as to ensure compliance with the relevant regulations by the Company and timely disclosure of such information.

COMPANY SECRETARY

The company secretary of the Company ("Company Secretary") is an employee of the Company and reports to the chairman and managing director of the Company. The Company Secretary is responsible for advising the Board through the chairman and/or managing director on governance matters, as well as ensuring Board policies and procedures are followed and the information flow among the Directors is good. All Directors have access to the Company Secretary for advice and services.

The biographical details of the Company Secretary are set out in the section headed "Board of Directors and Senior Management" of this annual report. The Company Secretary has taken more than 15 hours of relevant professional training for the year ended 31 December 2017 and complied with the requirement of Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for making enquiries to the Board

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may send written enquiries by post to the Company's principal place of business in Hong Kong or by e-mail to ir@tianjinportdev.com for the attention of the Investor Relations Department.

Procedures for convening an extraordinary general meeting by Shareholders

Extraordinary general meetings can be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The signed written requisition stating the purpose of the meeting, should be delivered to the Company's principal place of business in Hong Kong. The meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings of the Company

Pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of the Director at any general meeting, unless notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's head office and principal place of business in Hong Kong at Suite 3904-3907, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The period for lodgment of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If a Shareholder wishes to propose a person to stand for election as a Director, the following documents must be lodged at the Company: (i) a notice of intention to propose a person for election as Director at the general meeting, and (ii) a notice executed by the nominated candidate of the candidate's willingness to be elected together with that candidate's biographical details as required by Rule 13.51(2) of the Listing Rules.

The period for lodgment of the above written notices shall commence no earlier than the day after the despatch of the notice of general meeting and end no later than seven days prior to the date of the general meeting. The Company is required under Rule 13.73 of the Listing Rules to provide the information about the proposal in a supplementary circular or by way of an announcement not later than ten business days before the general meeting. If the above notices are received by the Company less than twenty-one days prior to the general meeting, the Company may need to consider the adjournment of the general meeting.

INVESTOR RELATIONS

Communications with Shareholders

The Company values effective communication with the Shareholders and investors. The Company has been proactive in promoting investor relations and communications by way of meetings, roadshows, press conferences, presentations and company visits.

The Company maintains a regular dialogue with institutional investors and analysts. The Company actively participated in investor conferences, one-on-one meetings with institutional investors and analysts, local and overseas non-deal roadshows. The Company also organised port visits for fund managers and analysts to provide them with the opportunity to understand the port operations and the Group's business.

The Board endeavours to maintain an on-going dialogue with Shareholders. Shareholders are encouraged to attend annual general meeting and other general meetings of the Company and are invited to express their views and raise questions thereat. The respective chairman of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor of the Company will be available at the annual general meeting to respond to Shareholders' questions. The chairman of independent board committee, independent financial advisor and legal advisor, as the case may be, will be available at the general meetings to respond to Shareholders' questions in relation to proposed resolutions seeking approval at the meetings.

The respective chairman of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor of the Company had attended the annual general meeting of the Company held on 9 June 2017 to answer questions from the Shareholders.

The chairman of the Board and all members of independent board committee, Japhet Sebastian LAW, CHENG Chi Pang, Leslie and ZHANG Weidong, had attended the extraordinary general meeting of the Company held on 22 June 2017 to approve the major transaction regarding the assets restructuring with Tianjin Port Co; and the extraordinary general meeting of the Company held on 15 December 2017 to approve the continuing connected transactions. The Company had also invited the independent financial adviser to attend the extraordinary general meeting held on 15 December 2017 and answer questions from the Shareholders.

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company is published on the Company's website at www.tianjinportdev.com and the HKExnews website at www.hkexnews.hk. During the year ended 31 December 2017, there was no change to the memorandum and Articles of Association of the Company.

The Directors have pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and joint ventures are set out in Note 30 to the consolidated financial statements.

An analysis of the Group's performance by segment for the year ended 31 December 2017 is set out in Note 3 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 75.

The Board recommends the payment of a final dividend of HK5.03 cents per share for the year ended 31 December 2017. Subject to the approval of Shareholders at the forthcoming annual general meeting, the final dividend will be payable to Shareholders whose names appear on the register of members of the Company on 13 June 2018.

BUSINESS REVIEW

The business review of the Group is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. The above sections form part of this directors' report.

Risks and Uncertainties

The Group' s businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group' s businesses. The risk factors set out below may result in substantial difference between the Group' s businesses, financial condition, results of operations or growth prospects and the expected or historical results. Such factors are by no means exhaustive or comprehensive, and in addition to those shown below, there may be other risks which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks of Economic Volatility

The port business, which is mainly located in Tianjin, the PRC, is the Group' s core business. As a primary industry of the national economy, the development of the port industry is closely related to the national economic development. The macroeconomic situation may have different degrees of impact on the Group' s results of operations. Cargo throughput at the port is dependent on the economic development of the areas which the Group serves, while the Group' s businesses may be affected by various factors such as the economic growth rate, level of trade development and industry structure of those areas.

Risks Relating to the Changes in the PRC Policies

Changes in economic condition, regulatory requirements, government policies, development plans and relevant laws and regulations in the PRC may impact the Group' s operations.

Risks of Competition from Ports

The Group is situated at a cluster of ports in the Bohai Rim Region, where the concentration of ports is relatively high and the ports with over 100-million tonnes throughput develop rapidly. There are both competition and cooperation with the surrounding ports.

Financial Risks

The details of the Group' s financial risk management are set out in Note 28 to the consolidated financial statements.

Compliance with the Relevant Laws and Regulations

The Company compiles with the requirements under the Companies Law of the Cayman Islands, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

There was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business for the year ended 31 December 2017.

Environmental Policies and Performance

The Group has always been dedicated to reducing the environmental impact of our operation, and implemented policies regarding environmental management and resources conservation. The Group strives to create a green production and living environment, vigorously promotes the use of new, clean and renewable energies, reinforces the construction of energy supply facilities, proactively carries out dust control, oil vapor recovery and control as well as sewage treatment and upgrading, promotes the application of environmental-friendly facilities and equipment, enhances ecological environment protection and water environment management at the port, to ensure that environmental indicators such as air and water quality meet the standards, and build a beautiful port with blue sky, green land, clear water and clean environment.

The details of the Group's environmental policies and performance and compliance with relevant laws and regulations are set out in "Environmental, Social and Governance Report" on pages 18 to 37, which form part of this directors' report.

Key Relationships with Employees, Customers and Suppliers

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 are 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 polices 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 benefits business development of the Group. The management proactively communicates with the employees to foster the employer-employee relationship.

The details of the Group's relationship with employees and compliance with relevant laws and regulations are set out in "Environmental, Social and Governance Report" on pages 18 to 37, which form part of this directors' report.

Customers

The Group is committed to creating values for our customers by providing quality services to meet their needs. The Group also strives to grow together with our customers and uphold service integrity. Through this principle and the evaluation of industry background, scale of operation and credibility of the customers to give us an insight, we have established long-term relationships with our customers. The Group engaged in a number of activities such as quality services month and customer forums, allowing us to offer our customers a personalised and refined service.

Suppliers

To ensure quality and quantity of our performance and minimise cost, the Group regularly conducts supplier assessment every year to evaluate their performance, qualifications and quality, industry background, scale of production, product quality and business integrity of the suppliers. Through sincere cooperation, the Group has set up long-term and win-win cooperation relationships with our suppliers and established a good reputation.

The details of the Group's relationship with suppliers are set out in "Environmental, Social and Governance Report" on pages 18 to 37, which form part of this directors' report.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the Group's five largest customers combined accounted for less than 30% of the Group's total revenue for the year.

The five largest suppliers of the Group combined accounted for approximately 81% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 45%.

None of the Directors, their close associates, or any Shareholder, which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had interests in any of the Group's five largest customers or suppliers.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 134.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in Note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017 are set out in Note 32 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2017 are set out in Note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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.

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 8 June 2015, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the"Borrower"), and the Company as guarantor entered into a facility agreement with a financial institution as lender for term loan facilities in an aggregate amount of HK$800,000,000. The loan facilities are unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the facility agreement.

On 18 June 2015, the Borrower and the Company as guarantor entered into a facility agreement with several financial institutions as lenders for a term loan facility in an aggregate amount of HK$1,400,000,000. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the facility agreement.

On 29 June 2016, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility in an aggregate amount of HK$900,000,000. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of first drawdown.

On 26 August 2016, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility in an aggregate amount of HK$600,000,000. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of first drawdown.

On 24 March 2017, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility in an aggregate amount of HK$600,000,000. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the facility agreement.

On 27 March 2017, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility in an aggregate amount of HK$300,000,000. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the facility agreement.

Each of the above facility agreements includes a condition imposing specific performance obligations on Tianjin Port Group, the Company's controlling shareholder. If Tianjin Port Group, together with its subsidiaries, ceases to (1) have the single largest shareholding interest in the Company in aggregate, or (2) hold no less than 35% (directly or indirectly) of the shareholding interest in the Company in aggregate, the relevant financial institutions may demand immediate repayment of the loan facilities. As at 31 December 2017, the aggregate balance of the loan facilities subject to the above obligations was HK$4,600,000,000. Such obligations continue to exist as at the date of this report.

SHARE OPTION SCHEME

By a written resolution passed by the sole shareholder of the Company on 26 April 2006, the Share Option Scheme was adopted by the Company. The Share Option Scheme was effective for a period of 10 years and expired on 25 April 2016. All outstanding share options granted under the Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentive and recognition to eligible persons for their contribution to the Group. The Board may offer to grant share options to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors of the Company or any of its subsidiaries; any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Unless approved by the Shareholders in general meeting, the total number of Shares in respect of which share options may be granted (including Shares in respect of which share options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the date on which the Shares commence listing on the Main Board of the Stock Exchange. The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

Unless approved by the Shareholders in general meeting, the maximum entitlement of each participant (including exercised, outstanding and cancelled share options) in any 12-month period under the Share Option Scheme shall not exceed 1% of the number of Shares in issue on the offer date.

As the Share Option Scheme had expired on 25 April 2016, no further share options of the Company shall be granted under the Share Option Scheme thereafter. As at the date of this report, a total of 14,650,000 Shares (representing approximately 0.2% of the existing issued shares of the Company) may be issued upon exercise of all share options that have been granted but not yet lapsed or exercised under the Share Option Scheme.

HK$1 by way of consideration for the grant of an option is payable by the grantee to the Company on acceptance of the option within 30 days from the offer date.

The exercise period of the share options is determinable by the Directors and shall not exceed a period of 10 years commencing on the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

Unless otherwise determined by the Board, there is no minimum period for which an option must be held before it can be exercised.

The exercise price in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

Movements of the outstanding share options under the Share Option Scheme during the year ended 31 December 2017 were as follows:

			Number of share options				
	Date of grant	Exercise price HK$	As at 01/01/2017	Exercised	Lapsed	As at 31/12/2017	Exercise period
Directors							
ZHANG Ruigang	22/04/2016	1.244	3,450,000	–	–	3,450,000	22/10/2016 – 21/04/2026
LI Quanyong	08/04/2010	2.34	2,100,000	–	–	2,100,000	08/10/2010 – 07/04/2020
	28/06/2012	0.896	1,050,000	–	–	1,050,000	28/12/2012 – 27/06/2022
WANG Rui	15/10/2010	1.846	1,000,000	–	–	1,000,000	15/04/2011 – 14/10/2020
	28/03/2011	1.904	1,000,000	–	–	1,000,000	28/09/2011 – 27/03/2021
	28/06/2012	0.896	1,000,000	–	–	1,000,000	28/12/2012 – 27/06/2022
YU Houxin	09/12/2015	1.21	1,100,000	–	–	1,100,000	09/06/2016 – 08/12/2025
SHI Jing	16/09/2014	1.514	1,100,000	–	–	1,100,000	16/03/2015 – 15/09/2024
Japhet Sebastian LAW	25/01/2008	4.24	300,000	–	–	300,000	25/07/2008 – 24/01/2018
	28/06/2012	0.896	150,000	–	–	150,000	28/12/2012 – 27/06/2022
CHENG Chi Pang, Leslie	25/01/2008	4.24	300,000	–	–	300,000	25/07/2008 – 24/01/2018
	28/06/2012	0.896	150,000	–	–	150,000	28/12/2012 – 27/06/2022
ZHANG Weidong	28/06/2012	0.896	450,000	–	–	450,000	28/12/2012 – 27/06/2022
Employees	29/04/2011	1.828	700,000	–	–	700,000	29/10/2011 – 28/04/2021
	28/06/2012	0.896	1,400,000	–	–	1,400,000	28/12/2012 – 27/06/2022
Total			15,250,000	–	–	15,250,000	

The accounting policy adopted for the share options is set out in Note 2 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, during the year ended 31 December 2017 or at the end of the year, the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was not a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares, or debentures of, the Company or any other body corporate.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

ZHANG Ruigang *(Chairman)*
LI Quanyong *(Managing Director)*
WANG Rui
YU Houxin
SHI Jing

Independent Non-executive Directors

Japhet Sebastian LAW
CHENG Chi Pang, Leslie
ZHANG Weidong

In accordance with Article 108 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election.

In accordance with Article 112 of the Articles of Association, a Director appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company are set out on pages 39 to 42.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract for a specific term of three years, which shall continue for further successive periods. Each of these contracts may be terminated by either party to the other giving not less than three months' notice in writing.

The independent non-executive Directors are appointed for a specific term of two years in accordance with their respective appointment letters, which shall continue for further successive periods.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained directors' and officers' liability insurance for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his or her connected entity had a material interest, either directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity	Number of Shares	Number of underlying shares *(Note)*	Percentage of issued share capital of the Company
ZHANG Ruigang	Beneficial owner	–	3,450,000 (L)	0.06%
LI Quanyong	Beneficial owner	–	3,150,000 (L)	0.05%
WANG Rui	Beneficial owner	–	3,000,000 (L)	0.05%
YU Houxin	Beneficial owner	–	1,100,000 (L)	0.02%
SHI Jing	Beneficial owner	–	1,100,000 (L)	0.02%
Japhet Sebastian LAW	Beneficial owner	2,700,000 (L)	450,000 (L)	0.05%
CHENG Chi Pang, Leslie	Beneficial owner	–	450,000 (L)	0.01%
ZHANG Weidong	Beneficial owner	–	450,000 (L)	0.01%

(L) denotes a long position

Note: The interests in underlying shares of unlisted equity derivatives of the Company represented interests in share options granted to the Directors to subscribe for the Shares, further details of which are set out in the section headed "Share Option Scheme" above.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, the following persons, other than the Directors or chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares Interested *(Note 1)*	Percentage of issued share capital of the Company
Tianjin Port Overseas Holding Limited *(Note 2)*	Beneficial owner	3,294,530,000 (L)	53.5%
Tianjin Port Group *(Note 2)*	Interest of a controlled corporation	3,294,530,000 (L)	53.5%
Leadport Holdings Limited *(Note 3)*	Beneficial owner	1,293,030,000 (L)	21.0%
Tianjin Development *(Note 3)*	Interest of controlled corporations	1,293,180,000 (L)	21.0%
Tsinlien *(Note 4)*	Interest of controlled corporations	1,303,010,000 (L)	21.2%
天津市醫藥集團有限公司 (Tianjin Pharmaceutical Group Co., Ltd.*) ("Tianjin Pharmaceutical") *(Note 4)*	Interest of controlled corporations	1,303,010,000 (L)	21.2%
天津渤海國有資產經營管理有限公司 (Tianjin Bohai State-owned Assets Management Co., Ltd.*) ("Bohai") *(Note 4)*	Interest of controlled corporations	1,303,010,000 (L)	21.2%
天津津聯投資控股有限公司 (Tianjin Tsinlien Investment Holdings Co., Ltd.*) ("Tsinlien Investment Holdings") *(Note 4)*	Interest of controlled corporations	1,303,010,000 (L)	21.2%

(L) denotes a long position

Notes:

1. According to Section 336 of the SFO, when the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders may be different from the shareholdings filed with the Stock Exchange.
2. By virtue of the SFO, Tianjin Port Group is deemed to be interested in all the Shares held by Tianjin Port Overseas Holding Limited, a wholly-owned subsidiary of Tianjin Port Group.
3. By virtue of the SFO, Tianjin Development is deemed to be interested in all the Shares held by Leadport Holdings Limited, a wholly-owned subsidiary of Tianjin Development.
4. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at 31 December 2017, Tianjin Investment Holdings Limited and Tsinlien Investment Limited, a wholly-owned subsidiary of Tsinlien, were beneficially interested in 6,820,000 Shares and 3,010,000 Shares respectively, representing an aggregate of approximately 0.2% of the issued share capital of the Company. Tsinlien is a wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a wholly-owned subsidiary of Bohai. Bohai is a wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien, Tianjin Pharmaceutical, Bohai and Tsinlien Investment Holdings are deemed to be interested in all the Shares held by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Investment Limited.

Save as disclosed above, as at 31 December 2017, there are no other persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with connected persons as defined in the Listing Rules.

Tianjin Port Group is the controlling shareholder of the Company indirectly interested in 53.5% of the issued share capital of the Company. Hence, Tianjin Port Group and/or its associates are connected persons of the Company as defined in the Listing Rules. Accordingly, transactions with Tianjin Port Group and/or its associates constitute connected transactions or continuing connected transactions of the Company.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the connected transactions for the year ended 31 December 2017 required to be disclosed in the annual report are as follows:

1. On 13 January 2017, 天津港第四港埠有限公司 (Tianjin Port No. 4 Stevedoring Co., Ltd.*)("Fourth Company"), a subsidiary of the Group, entered into an agreement with 天津金岸重工有限公司 (Tianjin Jinan Heavy Equipment Co., Ltd.*) ("Tianjin Jinan"), pursuant to which Fourth Company agreed to purchase and Tianjin Jinan agreed to sell two sets of 12t-33m portal cranes. The consideration was approximately RMB14.53 million and payable by instalments in accordance with the progress of the delivery and installation of the portal cranes. The purpose of purchasing the portal cranes is to increase the cargo handling capacity of the Group and improve the overall operating efficiency.

   Tianjin Jinan is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 13 January 2017.

2. On 13 January 2017, 天津港第五港埠有限公司 (Tianjin Port No. 5 Stevedoring Co., Ltd.*) ("Fifth Company"), a subsidiary of the Group, entered into an agreement with Tianjin Jinan, pursuant to which Fifth Company agreed to purchase and Tianjin Jinan agreed to sell one set of 40t-45m portal crane. The consideration was approximately RMB16.08 million and payable by instalments in accordance with the progress of the delivery and installation of the portal crane. The purpose of purchasing the portal crane is to increase the cargo handling capacity of the Group and improve the overall operating efficiency.

   Tianjin Jinan is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 13 January 2017.

3. On 13 January 2017, 天津港遠航礦石碼頭有限公司 (Tianjin Port Yuanhang Ore Terminal Co., Ltd.*) ("Yuanhang Ore"), a subsidiary of the Group, entered into an agreement with Tianjin Jinan, pursuant to which Yuanhang Ore agreed to purchase and Tianjin Jinan agreed to sell two sets of 40t-45m portal cranes. The consideration was approximately RMB32.52 million and payable by instalments in accordance with the progress of the delivery and installation of the portal cranes. The purpose of purchasing the portal cranes is to increase the cargo handling capacity of the Group and improve the overall operating efficiency.

   Tianjin Jinan is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 13 January 2017.

4. On 13 January 2017, 天津港遠航國際礦石碼頭有限公司 (Tianjin Port Yuanhang International Ore Terminal Co., Ltd.*) ("Yuanhang International"), a subsidiary of the Group, entered into a purchase agreement with Tianjin Jinan to acquire ore grab buckets and ore funnels. The consideration was approximately RMB7.92 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment. The purpose of purchasing the ore grab buckets and ore funnels is to increase the cargo handling capacity of the Group.

   Tianjin Jinan is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 13 January 2017.

5. On 2 June 2017, 天津港東疆物流園有限公司 (Tianjin Port Dongjiang Logistics Park Co., Ltd.*) ("Dongjiang Logistics Park Co"), a subsidiary of the Group, entered into an agreement (the "Supervision Agreement") with 天津港工程監理諮詢有限公司 (Tianjin Port Engineering Supervisory & Consultant Co., Ltd.*) ("Tianjin Port Project Consulting") for the provision of supervisory services for the construction project of the Tianjin Port Dongjiang Logisitics Park (Phase 1) located at Dongjiang Port Area of the port of Tianjin (the "Project") by Tianjin Port Project Consulting at the consideration of RMB1.50 million.

   On 8 June 2017, Dongjiang Logistics Park Co entered into an agreement (the "Design Agreement") with 天津港建設有限公司 (Tianjin Port Construction Company*) ("Tianjin Port Construction") for the provision of design services for the Project by Tianjin Port Construction at the consideration of RMB3.50 million.

   On 30 August 2017, Dongjiang Logistics Park Co entered into an agreement (the "Project Management Consultancy Agreement") with Tianjin Port Construction relating to the provision of management services for the Project by Tianjin Port Construction. The consideration was RMB2.40 million and payable by instalments.

   On 30 August 2017, Dongjiang Logistics Park Co entered into an agreement (the "Technical Consultancy Agreement") with Tianjin Port Construction for the technical consultation for preparation of feasibility study report for the Project conducted by Tianjin Port Construction. The consideration was RMB0.20 million and payable in a lump-sum within 1 year after completion of the feasibility study report.

   Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions (i.e. the transactions contemplated under the Supervision Agreement and the Design Agreement) and the transactions contemplated under the Project Management Consultancy Agreement and the Technical Consultancy Agreement relating to the Project have been aggregated and the total consideration was RMB7.60 million.

   Tianjin Port Project Consulting and Tianjin Port Construction are subsidiaries of Tianjin Port Group, and are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Supervision Agreement, Design Agreement, Project Management Consultancy Agreement and Technical Consultancy Agreement constitute connected transactions of the Company. Details of the above connected transactions were disclosed in the announcement of the Company dated 31 August 2017.

6. On 11 December 2017, Yuanhang International entered into a construction agreement with 天津港航工程有限公司 (Tianjin Port & Channel Engineering Co., Ltd.*) ("Tianjin Port Engineering") for the construction project of general bulk cargo terminal of Yuanhang International located at Nanjiang Port Area of the port of Tianjin (the "Construction Project"). The consideration was approximately RMB207.05 million and payable by instalments in accordance with the progress of construction works of the Construction Project.

   Tianjin Port Engineering is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 11 December 2017.

7. On 18 December 2017, 天津港海嘉汽車碼頭有限公司 (Tianjin Port Haijia Automobile Terminal Co., Ltd.*) ("Haijia Company"), a subsidiary of the Group, entered into an agreement with Tianjin Port Construction for the provision of management services for the construction project of automobile ro-ro terminal located at Beigangchi of the port of Tianjin (the "Beigangchi Project") by Tianjin Port Construction. The consideration was approximately RMB6.50 million and payable by instalments in accordance with the progress of construction works of the Beigangchi Project.

   Tianjin Port Construction is a subsidiary of Tianjin Port Group, and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the agreement constitutes a connected transaction of the Company. Details of the above connected transaction were disclosed in the announcement of the Company dated 18 December 2017.

Continuing Connected Transactions

Non-exempt Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 63 to 68 in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a copy of the auditor's letter to the Stock Exchange.

A summary of the non-exempt continuing connected transactions for the year ended 31 December 2017 is set out as follows:

	Annual cap	Actual amount	
			equivalent to approximately
	RMB'000	*RMB'000*	*HK$'000*
With Tianjin Port Group and/or its associates			
Property lease framework agreement	303,000	118,100	136,532
Integrated services framework agreement	1,897,000	1,192,884	1,379,057
Procurement framework agreement	34,000	6,153	7,114
Sales framework agreement	174,000	72,436	83,742
Freight yard and warehousing lease framework agreement	15,000	8,909	10,300
Cargo reconfiguration and storage services framework agreement	78,000	68,316	78,979
Labour framework agreement	29,000	20,401	23,585
Financial services framework agreement			
– Maximum daily outstanding balance of deposits (including accrued interest) placed for deposit services (category (1) of the financial services mentioned below)	3,200,000	3,192,214	3,818,895
Land lease agreements	42,432	40,411	46,718
With 天津開發區聚泰工貿有限公司 (Tianjin Development Zone Jutai Gongmao Co., Ltd.*) ("Jutai Gongmao")			
Jutai Gongmao coal sales agreement	63,888	–	–

Pursuant to Chapter 14A of the Listing Rules, details of the continuing connected transactions for the year ended 31 December 2017 required to be disclosed in the annual report are as follows:

1. On 23 October 2014, the Company entered into the following framework agreements with Tianjin Port Group, each for a term of three years from 1 January 2015 to 31 December 2017. As Tianjin Port Group is the controlling shareholder of the Company and is therefore a connected person of the Company, the transactions contemplated under the following agreements constitute continuing connected transactions of the Company.

Property lease framework agreement

Nature of the transactions:	Leasing of various freight yards, warehouses, office buildings and facilities in Tianjin Binhai New Area from Tianjin Port Group and/or its associates to the Group
Pricing determination:	Prices for the leases are determined with reference to (1) the actual content of the leases, area and number under the leases, and the term of the leases; and (2) the market price of similar leasing services in Tianjin Binhai New Area
Payment terms:	Payments are made by the Group to Tianjin Port Group and/or its associates on a quarterly or half-yearly basis

Integrated services framework agreement

Nature of the transactions:	Provision of utilities and supporting services by Tianjin Port Group and/or its associates to the Group
Pricing determination:	Prices of the various services provided are determined with reference to the content, quantities and qualities of the services in accordance with the following general pricing principles: (1) where there are PRC State prescribed prices, such PRC State prescribed prices (2) where there is no PRC State prescribed price, then according to the relevant comparable market prices (including the comparable local, national or international market prices) or (3) where neither of the above is applicable, then on an arm's length basis, through tender or other open procedures, and at prices that are in line with market rates and on terms that are no less favourable to the Group than those offered by the independent third parties In respect of water supply services and electricity supply services, prices are determined based on (1) the relevant PRC State prescribed prices; and (2) the quantities of the relevant services to be provided to the Group In respect of other transactions, prices are determined based on (1) the relevant comparable market prices of the relevant services with reference to the content of the services (such as types, qualities and quantities); and (2) the quantities of the relevant services to be provided to the Group
Payment terms:	Payments are made by the Group to Tianjin Port Group and/or its associates on a monthly basis

Procurement framework agreement

Nature of the transactions:	Purchase of products including port machinery, equipment and working tools by the Group from Tianjin Port Group and/or its associates
Pricing determination:	Prices of various products purchased are determined with reference to the types, quantities and qualities of the products in accordance with the following general pricing principles: (1) where there are PRC State prescribed prices, such PRC State prescribed prices (2) where there is no PRC State prescribed price, then according to the relevant comparable market prices (including the comparable local, national or international market prices) or (3) where neither of the above is applicable, then on an arm's length basis, through tender or other open procedures, and at prices that are in line with market rates and on terms that are no less favourable to the Group than those offered by independent third parties Prices of the transactions are determined based on (1) the relevant comparable market prices of the relevant products with reference to the content of the relevant products (such as types and qualities); and (2) the quantities of the relevant products
Payment terms:	Payments are made by the Group to Tianjin Port Group and/or its associates on a monthly basis

Sales framework agreement

Nature of the transactions:	Sale of materials including spare parts, fuel and construction materials by the Group to Tianjin Port Group and/or its associates
Pricing determination:	Prices of various materials sold are determined with reference to the types, quantities and qualities of the products sold in accordance with the following general pricing principles: (1) where there are PRC State prescribed prices, such PRC State prescribed prices (2) where there is no PRC State prescribed price, then according to the relevant comparable market prices (including the comparable local, national or international market prices) or (3) where neither of the above is applicable, then on an arm's length basis, through tender or other open procedures, and at prices that are in line with market rates and on terms that are no less favourable to the Group than those offered to independent third parties Prices of the transactions are determined based on (1) the relevant comparable market prices of the relevant products with reference to the types, qualities (except for fuel, which refers to the international market prices for fuel); and (2) the quantities of the relevant products
Payment terms:	Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly basis

Freight yard and warehousing lease framework agreement

Nature of the transactions:	Leasing of various freight yards and warehouses in Tianjin Binhai New Area from the Group to Tianjin Port Group and/or its associates
Pricing determination:	Prices for the leases are determined with reference to (1) the actual content of the leases, area and number of the leased freight yards and warehouses, and the terms of the leases; and (2) the market price of similar leasing services in Tianjin Binhai New Area
Payment terms:	Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly basis

Cargo reconfiguration and storage services framework agreement

Nature of the transactions:	Provision of cargo reconfiguration (transportation using vehicles and other transportation means), storage (custody and storage for cargoes) and other related services by the Group to Tianjin Port Group and/or its associates
Pricing determination:	Prices of the services provided are determined with reference to (1) the actual content of the services, the volume of cargo handled or stored, and the duration of storage; and (2) the market price of similar services
Payment terms:	Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly basis

Labour framework agreement

Nature of the transactions:	Provision of labour of various positions to perform various services by the Group to Tianjin Port Group and/or its associates
Pricing determination:	Prices of the services provided are determined with reference to (1) the relevant laws and regulations, the actual content of services, position and types of labour provided; and (2) the market prices of similar services
Payment terms:	Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly or quarterly basis

Details of the above non-exempt continuing connected transactions were disclosed in the announcements of the Company dated 23 October 2014 and 10 November 2014 and the circular of the Company dated 21 November 2014.

As the framework agreements dated 23 October 2014 expired on 31 December 2017, the Company had on 27 September 2017 entered into new framework agreements, each for a term of three years from 1 January 2018 to 31 December 2020, with Tianjin Port Group to continue the transactions. Details of the transactions were set out in the announcements of the Company dated 27 September 2017 and 23 October 2017 and the circular of the Company dated 17 November 2017. The new integrated services framework agreement and the related proposed annual caps for the three years ending 31 December 2020 were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 15 December 2017.

2. On 23 September 2015, the Company entered into the following agreement with 天津港財務有限公司 (Tianjin Port Finance Co., Ltd.*) ("Tianjin Port Finance") and Tianjin Port Group for a term of three years from 1 January 2016 to 31 December 2018. Tianjin Port Finance is a subsidiary of Tianjin Port Group. Hence, Tianjin Port Group and Tianjin Port Finance are connected persons of the Company. Accordingly, the transactions contemplated under the agreement constitute continuing connected transactions of the Company, of which deposit services (category (1) of the financial services mentioned below) constitute non-exempt continuing connected transactions of the Company.

Financial services framework agreement

Nature of the transactions:	Provision of financial services by Tianjin Port Finance to the Group, including: (1) deposit services; (2) provision of loans (excluding entrustment loans referred to in category (5) below); (3) commercial notes acceptance and discounting services; (4) settlement services; (5) arrangement of entrustment loans between members of the Group, whereby Tianjin Port Finance serves as a financial agency through which funds of any member of the Group may be channelled for use by other members of the Group; and (6) certification of financial position, financial advisory services and other advisory services
Fees and charges:	Fees and charges payable by the Group to Tianjin Port Finance are on terms no less favourable than the benchmark rates set by the People's Bank of China (if applicable) as well as those available from other independent commercial banks in the PRC

Details of the above non-exempt continuing connected transactions were disclosed in the announcement of the Company dated 23 September 2015 and the circular of the Company dated 3 November 2015.

3. On 23 October 2014, 天津中鐵儲運有限公司 (Tianjin Zhongtie Storage & Transportation Co., Ltd.*) ("Tianjin Zhongtie"), a subsidiary of the Group, entered into the following agreement with Jutai Gongmao for a term from 1 January 2015 to 31 December 2017. Jutai Gongmao holds 40% equity interest in Tianjin Zhongtie and is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the agreement constitute continuing connected transactions of the Company.

Jutai Gongmao coal sales agreement

Nature of the transactions:	Sale of coal by Tianjin Zhongtie to Jutai Gongmao
Pricing determination:	Prices of coal sold are determined with reference to the market price of the products with similar types and qualities and the pricing policy adopted is the same as that for the independent third party customers of Tianjin Zhongtie
Payment terms:	Delivery upon payment

Details of the above non-exempt continuing connected transactions were disclosed in the announcements of the Company dated 23 October 2014 and 10 November 2014.

As the Jutai Gongmao coal sales agreement dated 23 October 2014 expired on 31 December 2017, Tianjin Zhongtie had on 27 September 2017 entered into a new Jutai Gongmao coal sales agreement, for a term of three years from 1 January 2018 to 31 December 2020, with Jutai Gongmao to continue the transactions. Details of the transactions were set out in the announcements of the Company dated 27 September 2017 and 23 October 2017.

4. Tianjin Port Co (a subsidiary of the Group) and/or its subsidiaries had entered into eight land lease agreements on various dates from April 2004 to July 2008 with Tianjin Port Group and/or its associates. As Tianjin Port Group is the controlling shareholder of the Company, Tianjin Port Group and its associates are connected persons of the Company. Accordingly, the transactions contemplated under the agreements constitute continuing connected transactions of the Company.

   Land lease agreements

Nature of the transactions:	Long-term leases of various pieces of land in the port of Tianjin from Tianjin Port Group and/or its associates to the Group
Pricing determination:	Prices for the long-term land leases are determined with reference to (1) the transfer value of the land as appraised by an independent qualified property valuer in the PRC and approved by the relevant PRC government departments; (2) the yield for one-year PRC government bonds; (3) relevant PRC tax; and (4) the number of years of usage
Payment terms:	Payments are made by the Group to Tianjin Port Group and/or its associates on a quarterly basis

   Historically, the Tianjin Port Authority, the business of which was subsequently reorganised into Tianjin Port Group, owned the land and operated the port business in the port of Tianjin. As such, Tianjin Port Group is the only owner and provider of land in the port of Tianjin. In addition, usage of land for port operations is of a long-term nature and can only be changed with significant investment. Therefore, the lease of land must be of a long duration in order to justify the investment made by the Group. The terms of 19 to 50 years under the land lease agreements are similar to those in comparable ports in the PRC.

   Details of the above non-exempt continuing connected transactions were disclosed in the announcement of the Company dated 15 June 2009 and the circular of the Company dated 19 June 2009.

Exempt Continuing Connected Transactions

During the year ended 31 December 2017, the Group had entered into the following continuing connected transactions which are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, the disclosure of which is on a voluntary basis in order to enhance the transparency of the Group's transactions with Tianjin Port Group:

Fee collection services

Various fees, including but not limited to port management fees, are collected by the Group from its customers and forwarded to Tianjin Port Group. No service fee will be charged to Tianjin Port Group by the Group. For the year ended 31 December 2017, the fees collected by the Group on behalf of Tianjin Port Group amounted to RMB410,124,000 (equivalent to approximately HK$474,132,000).

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the significant related party transactions for the year ended 31 December 2017 are disclosed in Note 27 to the consolidated financial statements. A summary is set out as follows:

	Note	2017 HK$'000
With Tianjin Port Group and its subsidiaries, associates and joint ventures	1	
Sales of goods and services		126,399
Purchases of goods and services		733,286
Expenses for rental of land, property, plant and equipment		188,250
Acquisition of property, plant and equipment		135,650
With associates of the Group	2	
Sales of goods and services		111,899
Purchases of goods and services		879,516
Expenses for rental of property, plant and equipment		16,641
Interest income		40,907
Interest expenses		150,887
Investments in associates		11,724
With joint ventures of the Group	2	
Sales of goods and services		82,320
Purchases of goods and services		103,821
Interest income		3,510
Investments in joint ventures		20,936

Notes:

1. The transactions between the Group and Tianjin Port Group and/or its subsidiaries, associates and joint ventures (meaning given to them under the applicable accounting standards) constituted connected transactions or continuing connected transactions of the Company (as defined in Chapter 14A of the Listing Rules).

2. Certain associates and joint ventures (meaning given to them under the applicable accounting standards) of the Group are also the associates of Tianjin Port Group as defined under the Listing Rules. The transactions between the Group and these associates and joint ventures of the Group constituted connected transactions or continuing connected transactions of the Company (as defined in Chapter 14A of the Listing Rules).

In relation to the related party transactions which also constituted connected transactions or continuing connected transactions of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, the details of which required to be disclosed in the annual report have been set out in the section headed "Connected Transactions" above.

INTERESTS IN COMPETITORS

ZHANG Ruigang and LI Quanyong are directors of Tianjin Port Group during the year. The principal business of Tianjin Port Group includes port handling and stevedoring services, warehousing, logistics, and port land development at the port of Tianjin in the PRC through its group companies.

As the Board is independent from the board of directors of Tianjin Port Group (save for Mr. Zhang and Mr. Li who are the only common directors in the Company and Tianjin Port Group) and Mr. Zhang and Mr. Li has no control over the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Tianjin Port Group.

Save as disclosed above and within the knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with business of the Group throughout the year ended 31 December 2017 pursuant to the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 43 to 52.

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
ZHANG Ruigang
Chairman

Hong Kong, 27 March 2018

pwc

羅兵咸永道

To the Shareholders of Tianjin Port Development Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 133, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of long-term assets is identified as a key audit matter in our audit, and is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of long-term assets	
Refer to note 2.10 and 29 of the consolidated financial statements As at 31 December 2017, the long-term assets of the Group included "Land use rights" of HK$6,334 million, "Property, plant and equipment" of HK$19,835 million and "Intangible assets" of HK$70 million. As of 31 December 2017, the market capitalisation of the Group is below its net asset value and this is considered by management as an impairment indicator of long-term assets. Management of the Group performed impairment assessment for the long-term assets. They assessed the recoverable amounts of cash-generating-units to which those long-term assets belong, using value-in-use model which were calculated based on present value of future cash flows. The key assumptions adopted in the forecasts of future cash flows included the estimation of growth rates of business volume, unit price and cost of sales, and the discount rate. As a result of management assessment on the impairment of long-term assets, no impairment provision was made by the management. We focused on this area because management's impairment assessment involved significant judgement on the estimates of key assumptions of growth rates of business volume, unit price and cost of sales, and the discount rate.	We tested management's cash flow forecasts of each cash-generating-unit to which the long-term assets belong by checking the underlying data used in the forecast of future cash flows to the supporting documents. We compared the current year actual cash flow of the Group with the prior year forecasts to consider the reliability of forecast. For all cash-generating-units, we assessed management's key assumptions of growth rates of business volume, unit price and cost of sales applied in the forecasts by comparing them to historical performance of the Group, taking into account the future plan of the Group and the economic and industry factors. We assessed the discount rate used by the management, with the assistance from our internal valuation experts, taking into account the cost of capital of each cash-generating-unit as well as the relevant territory and industry specific factors. We also performed sensitivity analysis by varying the assumptions for business volume growth rate and discount rate. Based on the work performed, we found that management's impairment assessment was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Kwong On.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**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	4	**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	5	**(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	8	**(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	10		
Basic (HK cents)		**12.6**	8.6
Diluted (HK cents)		**12.6**	8.6

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'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

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	11	**6,334,061**	5,686,092
Property, plant and equipment	12	**19,834,777**	18,960,072
Intangible assets	13	**69,909**	65,043
Investments accounted for using the equity method	15	**5,972,997**	5,421,257
Available-for-sale financial assets	16	**958,574**	518,458
Deferred income tax assets	17	**63,520**	91,491
		33,233,838	30,742,413
Current assets			
Inventories	18	**237,647**	171,930
Trade and other receivables	19	**3,234,034**	3,583,555
Restricted bank deposits	20	**49,742**	14,477
Time deposits with maturity over three months	20	**573,860**	1,286,752
Cash and cash equivalents	20	**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	21	**615,800**	615,800
Other reserves	22	**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

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*23*	**8,823,898**	11,428,366
Deferred income tax liabilities	*17*	**483,652**	321,095
Other long-term liabilities		**23,589**	21,462
		9,331,139	11,770,923
Current liabilities			
Trade and other payables	*24*	**3,447,745**	3,224,483
Current income tax liabilities		**120,725**	137,223
Borrowings	*23*	**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

The consolidated financial statements on pages 75 to 133 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf by:

ZHANG Ruigang
Director

LI Quanyong
Director

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Equity attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	615,800	4,553,383	6,441,538	11,610,721	13,010,871	24,621,592
Total comprehensive (loss)/income for the year	–	(750,256)	530,479	(219,777)	386,889	167,112
Transfers	–	131,341	(131,341)	–	–	–
Share-based compensation	–	2,015	–	2,015	–	2,015
Dividends	–	(255,557)	–	(255,557)	(644,400)	(899,957)
Capital contributions from non-controlling interests	–	–	–	–	225,631	225,631
At 31 December 2016	**615,800**	**3,680,926**	**6,840,676**	**11,137,402**	**12,978,991**	**24,116,393**
Total comprehensive income for the year	**–**	**904,150**	**774,592**	**1,678,742**	**2,020,789**	**3,699,531**
Transfers	**–**	**131,997**	**(131,997)**	**–**	**–**	**–**
Dividends	**–**	**(211,835)**	**–**	**(211,835)**	**(737,875)**	**(949,710)**
Assets restructuring *(Note 1)*	**–**	**120,829**	**–**	**120,829**	**(147,331)**	**(26,502)**
Deregistration of subsidiaries	**–**	**(853)**	**853**	**–**	**(1,085)**	**(1,085)**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**124,210**	**124,210**
At 31 December 2017	**615,800**	**4,625,214**	**7,484,124**	**12,725,138**	**14,237,699**	**26,962,837**

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	25	**2,416,553**	3,342,301
Interest received		**121,614**	119,688
PRC income tax paid		**(498,913)**	(544,326)
Net cash generated from operating activities		**2,039,254**	2,917,663
Cash flows from investing activities			
Purchases of property, plant and equipment		**(403,382)**	(848,643)
Purchases of land use rights		**(388,906)**	–
Purchases of intangible assets		**(13,026)**	(15,546)
Investments in associates and joint ventures		**(32,660)**	(40,492)
Proceeds from deregistration of an associate		**2,840**	–
Proceeds from disposal of property, plant and equipment		**16,940**	5,502
Proceeds from disposal of land use rights		**2,199**	–
Proceeds from disposal of intangible assets		**803**	–
Dividends received from associates and joint ventures		**418,766**	257,278
Dividends received from available-for-sale financial assets		**20,606**	9,443
Interest received from a joint venture		**6,609**	11,302
Interest received from loans receivable		**13,903**	35,960
Receipt of loans receivable		**598,158**	–
Decrease/(increase) in time deposits with maturity over three months		**803,098**	(17,887)
Net cash from/(used in) investing activities		**1,045,948**	(603,083)
Cash flows from financing activities			
Proceeds from borrowings		**5,108,585**	5,317,281
Repayments of borrowings		**(3,919,483)**	(5,960,704)
Interest paid		**(577,129)**	(598,786)
Dividends paid to equity holders of the Company		**(98,503)**	(828,805)
Dividends paid to non-controlling interests		**(748,286)**	(635,275)
Capital contributions from non-controlling interests		**124,210**	225,631
Payment to non-controlling interests upon deregistration of subsidiaries		**(1,085)**	–
Net cash used in financing activities		**(111,691)**	(2,480,658)
Net increase/(decrease) in cash and cash equivalents		**2,973,511**	(166,078)
Cash and cash equivalents at 1 January		**6,537,380**	7,252,964
Effects of exchange rate changes		**607,412**	(549,506)
Cash and cash equivalents at 31 December		**10,118,303**	6,537,380

The notes on pages 81 to 133 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Tianjin Port Development Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal address is Suite 3904-3907, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company and its subsidiaries (together the "Group") are principally engaged in the provision of containerised and non-containerised cargo handling services, sales and other port ancillary services at the port of Tianjin in the People's Republic of China (the "PRC").

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 as described in Note 2.2(e), 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 29.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(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 (Amendment)	*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. At 31 December 2017, the Group had non-cancellable operating lease commitments of HK$1,369 million (Note 26(b)). 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidated and equity accounting *(continued)*

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with the equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated income statement. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate or a joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Business combinations

(a) Common control acquisitions

For common control combination, the consolidated financial statements incorporate the financial statements of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

(b) Other acquisitions

The Group applies the acquisition method of accounting to account for the acquisition of subsidiaries except for those under common control by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired business on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amount are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in joint ventures are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries and joint ventures is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the information used for the purposes of assessing performance and allocating resources between segments.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The financial statements are presented in Hong Kong dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses (Note 2.10). Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating license period, whichever is shorter.

2.8 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5-10 years on a straight-line basis and amortisation is included in administrative expenses in the income statement.

2.9 Property, plant and equipment

Buildings comprise mainly office premises and warehouses. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

–	Buildings	5 - 40 years
–	Port facilities	35 - 50 years
–	Plant, machinery and vessels	8 - 35 years
–	Leasehold improvements, furniture and equipment	5 - 10 years
–	Motor vehicles	5 - 12 years

Construction in progress represents plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for construction in progress until such time as the relevant assets are completed and ready for intended use. Construction in progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/installation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the income statement.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 2.14), 'amounts due from subsidiaries', 'restricted bank deposits', 'time deposits with maturity over three months' and 'cash and cash equivalents' (Note 2.15) in the statement of financial position. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories are also included in the available-for-sale category. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months from the end of the reporting period. Available-for-sale financial assets are subsequently carried at fair value. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement. Impairment losses on equity instruments that were recognised in the income statement are not reversed through the income statement.

2.13 Inventories

Inventories, mainly comprising bunker and other fuel oil, consumable and other materials, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and represents purchase costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11(a) for further information about the Group's accounting for trade receivables and Note 2.12 for the description of the Group's impairment policies.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other financial institutions, and other short-term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Employee benefits

(a) Pension obligations

The employees of the Group's subsidiaries in the PRC are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

In addition, the Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. All these contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

(b) Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share prices);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group and is recognised as follows:

(a) Provision of services

Revenue from the provision of services is recognised when the services are rendered.

(b) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title has been transferred to the customers.

2.24 Interest income

Interest income is recognised using the effective interest method and included in other income and gains in the income statement.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, if any.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. 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

Inter-segment transactions are carried out at arm's length.

Additions to non-current assets (other than financial instruments and deferred income tax assets) comprise property, plant and equipment, land use rights, intangible assets and other non-current assets.

3. SEGMENT INFORMATION *(continued)*

The segment information for the reportable segments is as follows:

	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)
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
Other information:				
– Depreciation and amortisation	959,314	17,856	194,457	1,171,627
– Share of net profit of associates and joint ventures	356,903	9,830	20,116	386,849

	As at 31 December 2017			
	Cargo handling HK$'000	Sales HK$'000	Other port ancillary services HK$'000	Total HK$'000
Segment assets	29,626,763	2,325,630	9,976,337	41,928,730
Unallocated assets:				
– Interest in an associate				1,337,670
– Available-for-sale financial assets				958,574
– Deferred income tax assets				63,520
– Head office and corporate assets				3,158,930
Total assets				47,447,424
Total assets include:				
– Interests in associates and joint ventures	3,777,376	119,985	737,966	4,635,327
– Additions to non-current assets	990,242	42,886	69,199	1,102,327

3. SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2016			
	Cargo handling HK$'000	Sales HK$'000	Other port ancillary services HK$'000	Total HK$'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
Other information:				
– Depreciation and amortisation	968,024	17,592	201,927	1,187,543
– Share of net profit/(loss) of associates and joint ventures	345,760	7,132	(16,425)	336,467

	As at 31 December 2016			
	Cargo handling HK$'000	Sales HK$'000	Other port ancillary services HK$'000	Total HK$'000
Segment assets	28,633,422	1,905,208	9,693,051	40,231,681
Unallocated assets:				
– Interest in an associate				1,199,837
– Available-for-sale financial assets				518,458
– Deferred income tax assets				91,491
– Head office and corporate assets				295,040
Total assets				42,336,507
Total assets include:				
– Interests in associates and joint ventures	3,448,243	83,054	690,123	4,221,420
– Additions to non-current assets	1,068,793	36,844	172,106	1,277,743

4. 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

5. 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

Borrowing costs were capitalised at the weighted average rate of 4.4% (2016: 4.6%) per annum.

6. EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Costs of goods sold	**6,606,434**	5,075,156
Employee benefit expenses, including directors' emoluments *(Note 7)*	**2,473,412**	2,868,392
Depreciation of property, plant and equipment *(Note 12)*	**1,003,377**	1,032,493
Amortisation of land use rights *(Note 11)*	**150,734**	141,219
Amortisation of intangible assets *(Note 13)*	**17,680**	14,051
Exchange loss, net	**–**	296,602
Operating lease rental	**322,762**	308,850
Provision for impairment of trade receivables *(Note 19)*	**10,105**	10,423
Loss on disposal of property, plant and equipment	**16,680**	6,920
Auditor's remuneration		
– audit services	**2,400**	2,400
– non-audit services	**622**	1,486

7. EMPLOYEE BENEFIT EXPENSES

	2017 HK$'000	2016 HK$'000
Wages and salaries, social security costs and other benefits	**2,166,725**	2,538,656
Employer's contributions to retirement benefits schemes	**306,687**	327,721
Share-based payments	**–**	2,015
	2,473,412	2,868,392

(a) Directors' emoluments

Name of director	For the year ended 31 December 2017					
	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000	Discretionary bonus HK$'000 *(Note iii)*	Employer's contributions to retirement benefits scheme HK$'000	Total HK$'000
Executive directors						
Zhang Ruigang *(Notes i & iv)*	168	2,338	–	313	147	2,966
Li Quanyong *(Note iv)*	168	2,247	–	302	144	2,861
Wang Rui *(Note iv)*	168	2,156	–	291	146	2,761
Yu Houxin *(Note v)*	396	–	–	50	23	469
Shi Jing *(Note v)*	396	–	–	50	23	469
Independent non-executive directors *(Note v)*						
Japhet Sebastian Law	441	–	115	–	–	556
Cheng Chi Pang, Leslie	441	–	115	–	–	556
Zhang Weidong	441	–	115	–	–	556
	2,619	6,741	345	1,006	483	11,194

7. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments *(continued)*

Name of director	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000	Discretionary bonus HK$'000 *(Note iii)*	Employer's contributions to retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
	For the year ended 31 December 2016						
Executive directors							
Zhang Ruigang *(Notes i & iv)*	116	1,585	6	410	81	1,553	3,751
Zhang Lili *(Notes ii & iv)*	52	673	6	–	71	–	802
Li Quanyong *(Note iv)*	168	2,203	42	395	146	–	2,954
Wang Rui *(Note iv)*	168	2,114	–	530	140	–	2,952
Yu Houxin *(Note v)*	396	–	18	66	21	462	963
Shi Jing *(Note v)*	396	–	–	66	23	–	485
Independent non-executive directors *(Note v)*							
Japhet Sebastian Law	441	–	104	–	–	–	545
Cheng Chi Pang, Leslie	441	–	104	–	–	–	545
Zhang Weidong	441	–	104	–	–	–	545
	2,619	6,575	384	1,467	482	2,015	13,542

Notes:

i. Appointed on 22 April 2016.

ii. Resigned on 22 April 2016.

iii. Discretionary bonus is determined with reference to the annual results of the Group and the employees' performance.

iv. The directors' fees were for their services as directors of the Company and the other emoluments were for their services in connection with the management of the affairs.

v. The directors' total emoluments were for their services as directors of the Company.

Mr. Li Quanyong is also the managing director of the Company and his emoluments disclosed above include those for services rendered by him as the managing director.

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

7. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2016: two) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**3,532**	3,347
Discretionary bonus	**848**	715
Employer's contributions to retirement benefits scheme	**212**	199
	4,592	4,261

	2017 Number of individuals	2016 Number of individuals
The emoluments fell within the following band:		
HK$2,000,001 - HK$2,500,000	**2**	2

8. INCOME TAX

	2017 HK$'000	2016 HK$'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. The standard PRC corporate income tax rate is 25%. Certain subsidiaries are entitled to an exemption for the first three or five years and followed by a 50% relief rate of 12.5% for the next three or five years. Certain subsidiaries are entitled to a concessionary rate of 15% for three years.

8. INCOME TAX *(continued)*

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to profit of the consolidated entities as follows:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**2,125,939**	2,359,241
Less: Share of net profit of associates and joint ventures	**(502,577)**	(448,108)
	1,623,362	1,911,133
Tax calculated at statutory tax rate	**387,141**	518,297
Income not subject to income tax	**(63,330)**	(2,145)
Expenses not deductible for tax purposes	**87,366**	83,528
Tax losses for which no deferred income tax asset was recognised	**74,689**	55,154
Utilisation of previously unrecognised tax losses	**(34,385)**	(1,314)
Derecognition of previously recognised deferred income tax assets	**42,704**	–
Withholding income tax on undistributed profits of PRC subsidiaries, associates and joint ventures	**44,847**	46,549
Tax exemptions and concessions	**(67,759)**	(128,352)
Income tax	**471,273**	571,717

9. DIVIDEND

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

The board of directors of the Company 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.

10. EARNINGS PER SHARE

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

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

	2017 '000	2016 '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.

11. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments analysed as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**5,686,092**	5,759,693
Exchange differences	**393,371**	(359,203)
Additions	**15,040**	–
Disposals	**(1,660)**	–
Transfers	**391,952**	426,821
Amortisation for the year	**(150,734)**	(141,219)
Net book values		
At 31 December	**6,334,061**	5,686,092

All land use rights are located in Tianjin, the PRC.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Port facilities HK$'000	Plant, machinery and vessels HK$'000	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2016	8,101,812	8,812,736	9,901,318	420,901	395,537	2,086,297	29,718,601
Exchange differences	(513,553)	(558,617)	(627,618)	(26,679)	(25,072)	(132,245)	(1,883,784)
Additions	–	–	15	147	–	1,222,632	1,222,794
Disposals	(439)	(3,661)	(138,265)	(19,149)	(35,872)	–	(197,386)
Transfers to construction in progress	(7,613)	–	(551,787)	–	–	478,920	(80,480)
Transfers	939,005	3,161	693,685	26,882	10,949	(2,118,665)	(444,983)
At 31 December 2016	**8,519,212**	**8,253,619**	**9,277,348**	**402,102**	**345,542**	**1,536,939**	**28,334,762**
Exchange differences	**597,232**	**578,612**	**650,380**	**28,189**	**24,224**	**107,745**	**1,986,382**
Additions	**–**	**–**	**8**	**5,902**	**–**	**1,030,674**	**1,036,584**
Disposals	**(32,684)**	**–**	**(224,423)**	**(11,286)**	**(35,744)**	**–**	**(304,137)**
Transfers to construction in progress	**–**	**–**	**(829,980)**	**–**	**–**	**681,442**	**(148,538)**
Transfers	**121,725**	**11,047**	**852,057**	**56,910**	**10,982**	**(1,449,250)**	**(396,529)**
At 31 December 2017	**9,205,485**	**8,843,278**	**9,725,390**	**481,817**	**345,004**	**1,907,550**	**30,508,524**
Accumulated depreciation							
At 1 January 2016	2,176,776	1,448,872	5,085,062	253,720	261,069	–	9,225,499
Exchange differences	(148,780)	(99,410)	(344,413)	(17,496)	(17,736)	–	(627,835)
Charge for the year	259,002	181,523	529,616	33,886	28,466	–	1,032,493
Disposals	(2,964)	(18)	(118,594)	(18,387)	(35,024)	–	(174,987)
Transfers to construction in progress	(2,033)	–	(78,447)	–	–	–	(80,480)
At 31 December 2016	**2,282,001**	**1,530,967**	**5,073,224**	**251,723**	**236,775**	**–**	**9,374,690**
Exchange differences	**169,653**	**113,590**	**372,522**	**18,925**	**17,445**	**–**	**692,135**
Charge for the year	**277,919**	**179,902**	**484,527**	**36,716**	**24,313**	**–**	**1,003,377**
Disposals	**(7,792)**	**–**	**(195,296)**	**(14,210)**	**(30,619)**	**–**	**(247,917)**
Transfers to construction in progress	**–**	**–**	**(148,538)**	**–**	**–**	**–**	**(148,538)**
At 31 December 2017	**2,721,781**	**1,824,459**	**5,586,439**	**293,154**	**247,914**	**–**	**10,673,747**
Net book values							
At 31 December 2016	6,237,211	6,722,652	4,204,124	150,379	108,767	1,536,939	18,960,072
At 31 December 2017	**6,483,704**	**7,018,819**	**4,138,951**	**188,663**	**97,090**	**1,907,550**	**19,834,777**

The Group is in the process of applying the title documents of certain buildings with carrying value of approximately HK$213 million (2016: HK$191 million). The directors of the Company believe that title documents will be obtained in due course without significant additional costs and would not affect the Group's rights to use the buildings.

13. INTANGIBLE ASSETS

Computer software

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	**146,038**	121,077
Exchange differences	**10,238**	(7,674)
Additions	**18,128**	14,473
Disposals	**(5,065)**	–
Transfers	**4,577**	18,162
At 31 December	**173,916**	146,038
Accumulated amortisation		
At 1 January	**80,995**	72,100
Exchange differences	**6,294**	(5,156)
Charge for the year	**17,680**	14,051
Disposals	**(962)**	–
At 31 December	**104,007**	80,995
Net book values		
At 31 December	**69,909**	65,043

14. SUBSIDIARIES

Particulars of principal subsidiaries are set out in Note 30(a).

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information of the subsidiaries that have material non-controlling interests. The summarised financial information below represents amounts before inter-company eliminations.

	Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.		Tianjin Port Pacific International Container Terminal Co., Ltd.		Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd.	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Summarised assets and liabilities						
Current assets	**117,248**	139,596	**527,120**	255,599	**439,896**	459,159
Non-current assets	**1,829,483**	1,719,832	**5,434,185**	5,190,080	**2,084,420**	2,045,339
Current liabilities	**(299,577)**	(242,970)	**(576,843)**	(529,769)	**(514,184)**	(504,815)
Non-current liabilities	**(242,254)**	(289,547)	**(2,130,638)**	(1,985,467)	**(571,241)**	(544,997)
Net assets	**1,404,900**	1,326,911	**3,253,824**	2,930,443	**1,438,891**	1,454,686
Net assets attributable to non-controlling interests	**997,857**	942,463	**2,311,090**	2,081,403	**1,022,000**	1,033,218
Summarised profit or loss and other comprehensive income						
Revenue	**605,145**	671,313	**1,113,826**	1,058,731	**705,420**	924,541
Profit for the year	**45,112**	66,869	**308,197**	245,063	**119,180**	284,111
Total comprehensive income/(loss) for the year	**139,705**	(23,741)	**524,362**	42,124	**225,309**	178,356
Profit for the year attributable to non-controlling interests	**32,042**	47,495	**218,902**	174,061	**84,649**	201,795
Dividends paid to non-controlling interests	**30,241**	17,063	**98,481**	74,500	**118,140**	100,525
Summarised cash flows						
Net cash from operating activities	**163,079**	198,596	**673,465**	587,660	**112,791**	406,492
Net cash (used in)/from investing activities	**(14,114)**	(4,938)	**(107,280)**	(92,041)	**73,206**	(182,089)
Net cash used in financing activities	**(146,408)**	(216,905)	**(318,346)**	(522,025)	**(303,825)**	(303,083)

14. SUBSIDIARIES *(continued)*

Summarised financial information of subsidiaries with material non-controlling interests *(continued)*

	Tianjin Port Yuanhang Ore Terminal Co., Ltd.		Tianjin Port Yuanhang International Ore Terminal Co., Ltd.	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Summarised assets and liabilities				
Current assets	**317,025**	352,248	**521,376**	207,525
Non-current assets	**940,966**	874,703	**4,116,060**	3,594,170
Current liabilities	**(87,236)**	(162,769)	**(1,078,100)**	(380,439)
Non-current liabilities	**(148,343)**	(67,076)	**(1,677,410)**	(1,806,697)
Net assets	**1,022,412**	997,106	**1,881,926**	1,614,559
Net assets attributable to non-controlling interests	**726,188**	708,214	**1,336,674**	1,146,771
Summarised profit or loss and other comprehensive income				
Revenue	**438,521**	592,401	**586,662**	738,133
Profit for the year	**130,096**	211,090	**63,202**	194,647
Total comprehensive income for the year	**204,527**	137,641	**178,590**	99,374
Profit for the year attributable to non-controlling interests	**92,403**	149,931	**44,890**	138,252
Dividends paid to non-controlling interests	**87,818**	78,594	**80,709**	47,366
Summarised cash flows				
Net cash from operating activities	**89,516**	341,567	**24,010**	155,767
Net cash used in investing activities	**(14,348)**	(21,357)	**(295,559)**	(223,150)
Net cash (used in)/from financing activities	**(187,568)**	(202,726)	**375,097**	(24,304)

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2017 HK$'000	2016 HK$'000
Investments in associates and joint ventures	**5,830,761**	5,280,146
Loan to a joint venture *(Note)*	**142,236**	141,111
	5,972,997	5,421,257

Note: The loan is unsecured, interest bearing at LIBOR plus 1.5% per annum and repayable in 2019.

There are no contingent liabilities relating to the Group's interests in associates and joint ventures. Associates and joint ventures themselves do not have any contingent liabilities (2016: nil).

Particulars of principal associates and joint ventures are set out in Note 30(b) and 30(c) respectively.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Summarised financial information of material associates and joint ventures

Set out below are the summarised financial information of the associates and joint ventures which are material to the Group and accounted for using the equity method in the consolidated financial statements.

	Tianjin Port Finance Co., Ltd.		Shenhua Tianjin Coal Terminal Co., Ltd.		Tianjin Five Continents International Container Terminal Co., Ltd.	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Summarised assets and liabilities						
Current assets	**3,946,597**	10,575,655	**445,880**	306,469	**154,796**	130,707
Non-current assets	**7,130,453**	1,224,781	**2,486,686**	2,395,558	**1,904,893**	1,865,080
Current liabilities	**(8,290,237)**	(9,300,775)	**(390,370)**	(75,227)	**(189,200)**	(183,579)
Non-current liabilities	**–**	–	**(194,401)**	(487,982)	**(281,134)**	(336,501)
Net assets	**2,786,813**	2,499,661	**2,347,795**	2,138,818	**1,589,355**	1,475,707
Included in the above assets and liabilities:						
Cash and cash equivalents	**3,920,510**	4,538,526	**19,080**	71,192	**58,083**	41,397
Current financial liabilities (excluding trade and other payables and provisions)	**8,267,418**	9,274,806	**299,079**	–	**78,957**	72,666
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**194,401**	487,982	**281,134**	336,501
Summarised profit or loss and other comprehensive income						
Revenue	**351,727**	375,002	**999,507**	941,497	**583,834**	580,996
Profit for the year	**241,099**	232,585	**364,275**	344,688	**119,907**	115,642
Other comprehensive income/(loss)	**183,629**	(170,215)	**162,621**	(149,596)	**107,627**	(104,949)
Total comprehensive income	**424,728**	62,370	**526,896**	195,092	**227,534**	10,693
Included in the above profit for the year:						
Depreciation and amortisation	**366**	411	**136,408**	143,578	**114,290**	111,414
Interest income	**382,688**	361,675	**275**	560	**702**	831
Interest expense	**92,901**	96,416	**12,769**	17,314	**17,142**	22,077
Income tax expense	**80,642**	77,773	**118,791**	117,790	**42,404**	38,950
Dividends received from the associate and joint venture	**66,037**	45,612	**143,064**	125,793	**45,554**	45,840

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Summarised financial information of material associates and joint ventures *(Continued)*

	Tianjin Port Alliance International Container Terminal Co., Ltd.		Tianjin Port Euroasia International Container Terminal Co., Ltd.		Tianjin Port Shihua Crude Oil Terminal Co., Ltd.	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Summarised assets and liabilities						
Current assets	**299,884**	370,083	**131,221**	174,799	**14,796**	10,860
Non-current assets	**1,891,005**	1,896,183	**2,707,965**	2,643,703	**974,749**	974,593
Current liabilities	**(64,816)**	(169,333)	**(337,956)**	(308,484)	**(27,875)**	(166,401)
Non-current liabilities	**(2,715)**	(110,676)	**(784,544)**	(940,861)	**–**	–
Net assets	**2,123,358**	1,986,257	**1,716,686**	1,569,157	**961,670**	819,052
Included in the above assets and liabilities:						
Cash and cash equivalents	**194,931**	305,911	**68,136**	78,758	**11,379**	7,071
Current financial liabilities (excluding trade and other payables and provisions)	**–**	4,472	**283,527**	260,369	**–**	86,082
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	110,676	**784,544**	940,861	**–**	–
Summarised profit or loss and other comprehensive income						
Revenue	**631,090**	656,162	**560,467**	586,394	**258,997**	195,661
Profit for the year	**171,339**	201,095	**88,285**	88,711	**82,332**	56,939
Other comprehensive income/(loss)	**145,209**	(138,090)	**113,078**	(107,623)	**60,286**	(54,113)
Total comprehensive income/(loss)	**316,548**	63,005	**201,363**	(18,912)	**142,618**	2,826
Included in the above profit for the year:						
Depreciation and amortisation	**124,068**	130,771	**123,090**	124,106	**63,961**	64,544
Interest income	**2,332**	2,207	**879**	1,030	**167**	138
Interest expense	**467**	7,506	**50,629**	58,394	**1,710**	6,916
Income tax expense	**28,536**	30,191	**29,919**	29,589	**28,373**	19,004
Dividends received from the associate and joint venture	**119,153**	4,919	**21,534**	20,570	**–**	–

The information above reflects the amounts presented in the financial statements of the associates and joint ventures, adjusted for differences in accounting policies between the Group and the associates and joint ventures.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Summarised financial information of material associates and joint ventures *(Continued)*

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in these associates and joint ventures:

	Tianjin Port Finance Co., Ltd.		Shenhua Tianjin Coal Terminal Co., Ltd.		Tianjin Five Continents International Container Terminal Co., Ltd.	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Net assets of the associate and joint venture	**2,786,813**	2,499,661	**2,347,795**	2,138,818	**1,589,355**	1,475,707
Proportion of the Group's ownership interest	**48%**	48%	**45%**	45%	**40%**	40%
Group's share of net assets of the associate and joint venture	**1,337,670**	1,199,837	**1,056,508**	962,468	**635,742**	590,283
Goodwill	**–**	–	**5,053**	4,721	**–**	–
Carrying amount	**1,337,670**	1,199,837	**1,061,561**	967,189	**635,742**	590,283

	Tianjin Port Alliance International Container Terminal Co., Ltd.		Tianjin Port Euroasia International Container Terminal Co., Ltd.		Tianjin Port Shihua Crude Oil Terminal Co., Ltd.	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Net assets of the associate and joint venture	**2,123,358**	1,986,257	**1,716,686**	1,569,157	**961,670**	819,052
Proportion of the Group's ownership interest	**40%**	40%	**40%**	40%	**50%**	50%
Group's share of net assets of the associate and joint venture	**849,343**	794,503	**686,674**	627,663	**480,835**	409,526
Goodwill	**5,219**	4,877	**–**	–	**58,002**	54,202
Carrying amount	**854,562**	799,380	**686,674**	627,663	**538,837**	463,728

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Individually immaterial associates and joint ventures

In addition to the interests in associates and joint ventures disclosed above, the Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method.

	2017 HK$'000	2016 HK$'000
Aggregate carrying amount of individually immaterial associates and joint ventures	**857,951**	773,177
Aggregate amount of the Group's share of:		
Income/(loss) for the year	**29,947**	(9,291)
Other comprehensive income/(loss)	**45,331**	(44,284)
Total comprehensive income/(loss)	**75,278**	(53,575)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Available-for-sale financial assets comprise:		
Equity securities listed in the PRC *(Note i)*	**884,103**	427,693
Equity securities listed in Hong Kong *(Note i)*	**24,000**	27,800
Unlisted equity investments *(Note ii)*	**50,471**	62,965
	958,574	518,458

Notes:

i. The fair value of the listed equity securities is based on quoted market price.

ii. The unlisted equity investments are stated at cost less any accumulated impairment losses rather than fair value as they do not have quoted market prices in an active market and their fair values cannot be reliably measured.

The carrying amounts of available-for-sale financial assets are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Renminbi	**934,574**	490,658
HK dollars	**24,000**	27,800
	958,574	518,458

17. DEFERRED INCOME TAX

Deferred income tax assets

	Unrealised profit on inter-company transfer of property, plant and equipment HK$'000	Tax losses HK$'000	Provisions, impairment losses and others HK$'000	Total HK$'000
At 1 January 2016	30,996	51,591	16,303	98,890
Exchange differences	(1,808)	(3,062)	(1,351)	(6,221)
(Charged)/credited to consolidated income statement	(3,782)	(5,001)	7,605	(1,178)
At 31 December 2016	**25,406**	**43,528**	**22,557**	**91,491**
Exchange differences	**1,667**	**1,939**	**1,650**	**5,256**
(Charged)/credited to consolidated income statement	**(3,270)**	**(31,928)**	**1,971**	**(33,227)**
At 31 December 2017	**23,803**	**13,539**	**26,178**	**63,520**

The deferred income tax assets are realisable more than 12 months after the end of the respective reporting period.

The Group had unused tax losses of approximately HK$908 million (2016: HK$770 million) available to offset future profits. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Losses amounting to approximately HK$908 million will expire from 2018 to 2022 (2016: HK$696 million will expire from 2017 to 2021). Other losses are carried forward indefinitely.

Deferred income tax liabilities

	Available-for-sale financial assets revaluation HK$'000	Withholding tax on undistributed profits HK$'000	Total HK$'000
At 1 January 2016	114,836	234,963	349,799
Exchange differences	(7,162)	(14,614)	(21,776)
Credited to consolidated income statement	–	(4,142)	(4,142)
Credited to other comprehensive income	(2,786)	–	(2,786)
At 31 December 2016	**104,888**	**216,207**	**321,095**
Exchange differences	**10,940**	**15,946**	**26,886**
Charged to consolidated income statement	**–**	**32,651**	**32,651**
Charged to other comprehensive income	**103,020**	**–**	**103,020**
At 31 December 2017	**218,848**	**264,804**	**483,652**

The deferred income tax liabilities are realisable more than 12 months after the end of the respective reporting period.

Under the applicable income tax law in the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by foreign-invested companies after 1 January 2008 to foreign investors. Deferred taxation has been provided on the undistributed profits of the PRC subsidiaries, associates and joint ventures since 1 January 2008.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Bunker and other fuel oil	**103,752**	97,894
Consumable and other materials	**133,895**	74,036
	237,647	171,930

The costs of inventories recognised as expense and included in costs of sales were HK$7,134,016,000 (2016: HK$5,670,077,000), of which costs of goods sold amounted to HK$6,606,434,000 (2016: HK$5,075,156,000).

19. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**1,884,450**	1,798,236
Less: Provision for impairment	**(75,881)**	(61,137)
	1,808,569	1,737,099
Notes receivables	**1,000,988**	857,922
Trade and notes receivables, net	**2,809,557**	2,595,021
Loans receivable	**–**	558,971
Other receivables	**252,036**	226,822
Prepayments	**161,179**	189,354
Amount due from a joint venture	**11,262**	13,387
	3,234,034	3,583,555

The carrying amounts of trade and other receivables approximate their fair values and are mainly denominated in Renminbi.

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

19. TRADE AND OTHER RECEIVABLES *(continued)*

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 **HK$'000**	2016 HK$'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

As at 31 December 2017, the Group endorsed notes receivables amounting to HK$465 million (2016: HK$928 million) to suppliers to settle trade and other payables. These endorsed notes receivables had a maturity of within six months at the end of the reporting period. In accordance with the relevant laws in the PRC, holders of notes receivables have a right of recourse against the Group if the issuing parties default payment. In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards of ownership relating to these endorsed notes receivables, and accordingly derecognised the full carrying amounts of these endorsed notes receivables and the associated trade and other payables.

The maximum exposure to loss from the Group's continuing involvement, if any, in these endorsed notes receivables equals to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's continuing involvement in these derecognised notes receivables are not significant.

As at 31 December 2017, trade receivables of HK$64,930,000 (2016: HK$61,628,000) were past due but not impaired as the management considered that there has not been a significant change in credit quality and the amounts are still recoverable. The ageing analysis of these trade receivables is as follows:

	2017 **HK$'000**	2016 HK$'000
91 - 180 days	**–**	2
Over 180 days	**64,930**	61,626
	64,930	61,628

Trade receivables of HK$75,881,000 (2016: HK$61,137,000), which aged over 180 days, were considered as impaired by the management after taking into account the past settlement history and credit quality of customers and provision for impairment of HK$75,881,000 (2016: HK$61,137,000) was made. Movements in the provision for impairment of trade receivables are as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**61,137**	54,611
Exchange differences	**4,639**	(3,897)
Provision for impairment of trade receivables	**10,105**	10,423
At 31 December	**75,881**	61,137

20. RESTRICTED BANK DEPOSITS, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Restricted bank deposits *(Note)*	**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
Total deposits and cash and cash equivalents	**10,741,905**	7,838,609

Note: Restricted bank deposits mainly represent guarantee deposits for bank notes payables.

The carrying amounts of restricted bank deposits, time deposits with maturity over three months and cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Renminbi	**10,264,134**	7,278,487
US dollars	**456,827**	503,237
HK dollars	**20,944**	56,885
	10,741,905	7,838,609

The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of deposits mentioned above.

21. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 December 2016 and 31 December 2017	**12,000,000**	**1,200,000**
Issued and fully paid:		
At 31 December 2016 and 31 December 2017	**6,158,000**	**615,800**

Share option

Pursuant to the written resolutions passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the "Share Option Scheme") was adopted. The Share Option Scheme was effective for a period of 10 years and expired on 25 April 2016. All outstanding share options granted under the Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

Under the Share Option Scheme, the directors of the Company may, at their discretion, grant to any eligible person as defined under the Share Option Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors of the Company pursuant to the relevant Rules Governing the Listing of Securities on the Stock Exchange. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Share Option Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of listing of the Company's shares, unless separate approval is obtained. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price HK$	**Number of share options '000**	Average exercise price HK$	Number of share options '000
At 1 January	**1.54**	**15,250**	1.54	15,250
Granted	**–**	**–**	1.24	3,450
Lapsed	**–**	**–**	1.24	(3,450)
At 31 December	**1.54**	**15,250**	1.54	15,250
Exercisable at 31 December		**15,250**		15,250

21. SHARE CAPITAL *(continued)*

Share option *(continued)*

(b) Share options outstanding at the end of the reporting period and their remaining contractual lives are as follows:

	2017 Remaining contractual life No. of years	**2017** Number of share options '000	2016 Remaining contractual life No. of years	2016 Number of share options '000
Exercise price				
HK$4.24	**0.07**	**600**	1.07	600
HK$2.34	**2.28**	**2,100**	3.28	2,100
HK$1.846	**2.80**	**1,000**	3.80	1,000
HK$1.904	**3.25**	**1,000**	4.25	1,000
HK$1.828	**3.33**	**700**	4.33	700
HK$0.896	**4.50**	**4,200**	5.50	4,200
HK$1.514	**6.72**	**1,100**	7.72	1,100
HK$1.21	**7.95**	**1,100**	8.95	1,100
HK$1.244	**8.31**	**3,450**	9.31	3,450
At 31 December		**15,250**		15,250

(c) The fair value of share options determined at the date of grant using the Binomial model and the significant inputs are as follows:

Date of grant	22 April 2016
Exercise price	HK$1.244
Expected volatility	51%
Expected option life	6.0 years
Risk-free interest rate	1.35%
Annual dividend yield	3.26%
Fair value	HK$0.45

The Binomial model requires input of certain subjective assumptions, thus the fair value calculated varies with different assumptions.

The expected volatility measured at the standard deviation is based on statistical analysis of the historical volatility of shares of the Company.

22. OTHER RESERVES

	Share premium HK$'000 *(Note i)*	Merger reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Statutory reserves HK$'000 *(Note ii)*	Others HK$'000	Total HK$'000
At 1 January 2016	11,068,744	(9,111,447)	134,192	25,866	921,269	1,236,199	278,560	4,553,383
Other comprehensive loss for the year	–	–	(5,580)	–	(744,676)	–	–	(750,256)
Transfers	–	–	–	–	–	131,341	–	131,341
Share-based compensation	–	–	–	2,015	–	–	–	2,015
Dividend	(255,557)	–	–	–	–	–	–	(255,557)
At 31 December 2016	**10,813,187**	**(9,111,447)**	**128,612**	**27,881**	**176,593**	**1,367,540**	**278,560**	**3,680,926**
Other comprehensive income for the year	**–**	**–**	**101,168**	**–**	**802,982**	**–**	**–**	**904,150**
Transfers	**–**	**–**	**–**	**–**	**–**	**131,997**	**–**	**131,997**
Dividend	**(211,835)**	**–**	**–**	**–**	**–**	**–**	**–**	**(211,835)**
Assets restructuring *(Note 1)*	**–**	**–**	**–**	**–**	**–**	**–**	**120,829**	**120,829**
Deregistration of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(853)**	**–**	**(853)**
At 31 December 2017	**10,601,352**	**(9,111,447)**	**229,780**	**27,881**	**979,575**	**1,498,684**	**399,389**	**4,625,214**

Notes:

i. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

ii. In accordance with the PRC laws and regulations, companies established in the PRC are required to transfer at least 10% of their net profit for the year, as determined under the PRC accounting standards, to relevant reserves until the reserve balance reaches 50% of their registered capital. Such reserves can be used to offset accumulated losses, capitalisation into capital and expansion of production.

23. BORROWINGS

	2017 HK$'000	2016 HK$'000
Unsecured borrowings:		
Non-current		
Long-term borrowings	**8,823,898**	11,428,366
Current		
Short-term borrowings	**1,848,367**	1,105,813
Current portion of long-term borrowings	**5,736,611**	1,981,672
	7,584,978	3,087,485
	16,408,876	14,515,851
Repayable:		
Loans		
Within 1 year	**5,192,347**	3,087,485
Between 1 and 2 years	**4,819,995**	3,342,542
Between 2 and 5 years	**3,386,591**	5,246,254
Over 5 years	**617,312**	603,684
	14,016,245	12,279,965
Medium-term notes *(Note)*		
Within 1 year	**2,392,631**	–
Between 1 and 2 years	**–**	2,235,886
	2,392,631	2,235,886
	16,408,876	14,515,851
Carrying amounts are denominated in the following currencies:		
Renminbi	**11,822,670**	9,931,940
HK dollars	**4,586,206**	4,583,911
	16,408,876	14,515,851
Effective interest rates per annum at 31 December:		
Renminbi	**2.4% - 5.3%**	2.4% - 4.8%
HK dollars	**2.4% - 2.6%**	1.9% - 2.7%

Note: A subsidiary of the Group issued fixed rate medium-term notes in an aggregate principal amount of RMB2,000 million in four tranches for a term of 5 years. The first and second tranches of medium-term notes with principal amount of RMB1,000 million are repayable on 31 January 2018 and bear fixed interest rate at 4.98% per annum. The third and fourth tranches of medium-term notes with principal amount of RMB1,000 million are repayable on 20 June 2018 and bear fixed interest rate at 4.83% per annum.

The carrying amounts of borrowings approximate their fair values.

24. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**1,369,736**	1,196,803
Notes payables	**134,577**	195,743
Trade and notes payables	**1,504,313**	1,392,546
Advance from customers	**814,203**	824,942
Dividends payable to:		
– equity holders of the Company	**113,332**	–
– non-controlling interests	**39,256**	36,154
Other non-trade payables	**976,641**	970,841
	3,447,745	3,224,483

The carrying amounts of trade and other payables approximate their fair values and are mainly denominated in Renminbi.

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

	2017 HK$'000	2016 HK$'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

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations

	2017 HK$'000	2016 HK$'000
Profit before income tax	**2,125,939**	2,359,241
Adjustments for:		
– Interest income	**(157,636)**	(157,277)
– Finance costs	**571,887**	584,608
– Share of net profit of associates and joint ventures	**(502,577)**	(448,108)
– Dividend income from available-for-sale financial assets	**(21,415)**	(9,035)
– Loss on disposal of property, plant and equipment	**16,680**	6,920
– Gain on disposal of land use rights	**(520)**	–
– Gain on disposal of intangible assets	**(825)**	–
– 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
– Provision for impairment of available-for-sale financial assets	**15,195**	–
– Provision for impairment of trade receivables	**10,105**	10,423
– Share-based payments	**–**	2,015
– Exchange (gain)/loss	**(281,470)**	296,602
Changes in working capital:		
– Inventories	**(65,717)**	20,329
– Trade and other receivables	**(62,764)**	(25,976)
– Restricted bank deposits	**(34,250)**	917,755
– Trade and other payables	**(368,492)**	(1,423,498)
– Other long-term liabilities	**622**	20,539
Cash generated from operations	**2,416,553**	3,342,301

26. COMMITMENTS

(a) Capital commitments

	2017 HK$'000	2016 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**809,242**	773,559
– Investment in an associate	**612,925**	572,771
Authorised but not contracted for		
– Property, plant and equipment	**3,378,111**	4,198,348

In addition to the above, the following is the progress of other construction project investment plan:

On 18 August 2008, the board of directors of Tianjin Port Co, a subsidiary of the Group, resolved that Tianjin Port Co will set up a company, Tianjin Port Shenghua International Container Terminal Co., Ltd., with Grand Asia International Shipping Ltd. and Terminal Link Tianjin Limited and invest in the construction project of container terminals at Beigangchi berth no. 8-10 at the port of Tianjin. Total investment of the construction project will be approximately RMB4.20 billion and the registered capital will be RMB1.47 billion. Tianjin Port Co will hold 60% equity interest in it. As at 31 December 2017, the formation of the company and the preparatory work of the construction project were still in progress.

26. COMMITMENTS *(continued)*

(b) Operating lease commitments

As at 31 December 2017, the Group has future aggregate minimum lease payments under non-cancellable operating leases for land, property, plant and equipment and office premises as follows:

	2017 HK$'000	2016 HK$'000
Not later than one year	**114,878**	103,792
Later than one year and not later than five years	**397,408**	378,179
Later than five years	**857,127**	885,966
	1,369,413	1,367,937

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the consolidated financial statements, the followings are the significant related party transactions entered into between the Group and its related parties in the normal course of business and on normal commercial terms:

(a) Transactions with related parties of the Group

	2017 HK$'000	2016 HK$'000
With Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") and its subsidiaries, associates and joint ventures		
Sales of goods and services	**126,399**	99,708
Purchases of goods and services	**733,286**	836,831
Expenses for rental of land, property, plant and equipment	**188,250**	214,664
Interest expenses	**–**	32,419
Acquisition of property, plant and equipment	**135,650**	163,151
With associates		
Sales of goods and services	**111,899**	78,384
Purchases of goods and services	**879,516**	855,353
Expenses for rental of property, plant and equipment	**16,641**	21,006
Interest income	**40,907**	37,957
Interest expenses	**150,887**	138,635
Investments in associates	**11,724**	40,492
With joint ventures		
Sales of goods and services	**82,320**	169,886
Purchases of goods and services	**103,821**	88,616
Interest income	**3,510**	2,857
Investments in joint ventures	**20,936**	–

27. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties of the Group

	2017 **HK$'000**	2016 HK$'000
With Tianjin Port Group and its subsidiaries, associates and joint ventures		
Trade and other receivables *(Note i)*	**29,958**	33,444
Trade and other payables *(Note i)*	**280,833**	113,046
With associates		
Trade and other receivables *(Note i)*	**5,214**	4,759
Trade and other payables *(Note i)*	**62,208**	15,702
Deposits *(Note ii)*	**3,696,394**	3,018,779
Borrowings *(Note iii)*	**3,732,420**	3,077,585
With joint ventures		
Trade and other receivables *(Note i)*	**11,785**	17,115
Trade and other payables *(Note i)*	**13,376**	7,770
Loan to a joint venture *(Note 15)*	**142,236**	141,111

Notes:

i. Trade and other receivables and trade and other payables are unsecured, interest-free and due within 1 year.

ii. Deposits placed with Tianjin Port Finance Co., Ltd. ("Tianjin Port Finance"), a 48% owned associate of the Group, carry interests at prevailing market rates.

iii. Borrowings from Tianjin Port Finance amounted to HK$3,732,420,000 (2016: HK$3,077,585,000), in which the aggregate principal amount of HK$3,528,926,000 (2016: HK$2,803,175,000) are repayable within 5 years and the remaining HK$203,494,000 (2016: HK$274,410,000) are repayable over 5 years. Borrowings from Tianjin Port Finance are unsecured and bear interests at market rates ranging from 3.9% to 4.4% (2016: from 3.9% to 4.4%) per annum.

(c) Transactions and balances with other state-owned entities in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (collectively referred to as "state-owned entities"). The directors of the Company consider those state-owned entities are independent third parties, so far as the Group's business transactions with them are concerned.

The Company's ultimate holding company, Tianjin Port Group, is a state-owned entity whilst most of the associates and joint ventures of the Group are also owned or controlled by the PRC government, the transactions and balances of which are disclosed in (a) and (b) above.

In addition to those disclosed above, as at 31 December 2017, the majority of the Group's cash and deposits and borrowings held by subsidiaries in the PRC are with state-owned banks and financial institutions.

In accordance with HKAS 24 (Revised), certain transactions with other state-owned entities in the PRC, which are individually or collectively not significant, are exempted from disclosure. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of significant related party transactions in the consolidated financial statements.

(d) Key management compensation

The key management of the Group comprises solely the directors of the Company, details of their remuneration are disclosed in Note 7.

28. FINANCIAL RISK MANAGEMENT

28.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 31 December 2017, the Group did not use any derivative financial instruments to hedge against its financial risk exposures.

Market risk

(1) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in currency that is not the functional currency of the entity.

The operations and customers of the Group's subsidiaries are located in the PRC with most of the assets/liabilities and transactions denominated and settled in Renminbi.

At 31 December 2017, if Renminbi had weakened/strengthened by 5% against non-functional currencies with all other variables held constant, the Group's profit for the year would have been approximately HK$207 million (2016: HK$213 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the outstanding non-functional currency denominated monetary items including deposits, receivables, payables and borrowings of the Group.

(2) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at variable rates and fixed rates.

At 31 December 2017, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$55 million (2016: HK$52 million) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(3) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments classified as available-for-sale financial assets are stated at fair value.

At 31 December 2017, if the price of the listed equity investments had been 10% higher/lower with all other variables held constant, the Group's total equity would have increased/decreased by approximately HK$91 million (2016: HK$46 million) as a result of changes in fair value of the listed equity investments classified as available-for-sale.

Credit risk

Credit risk arises from trade and other receivables, loans receivable, deposits with banks and financial institutions. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit risk at the end of the reporting period. The credit risk for deposits with banks and financial institutions is limited because the majority of the Group's deposits are placed in banks in Hong Kong and top tier state-owned/listed banks and financial institutions in the PRC with high credit rating. For trade and notes receivables, the Group has no significant concentrations of credit risk. The Group assesses the credit quality of the customers, taking into account their financial position, past settlement history and trading relationships. The utilisation of credit limits is regularly monitored.

28. FINANCIAL RISK MANAGEMENT *(continued)*

28.1 Financial risk factors *(continued)*

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities. The Group maintains flexibility in funding by keeping credit lines available.

Management monitors the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents to meet its liquidity requirement.

The financial liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2017				
Trade and other payables	**2,633,542**	**–**	**–**	**–**
Borrowings	**8,057,065**	**5,100,607**	**3,615,274**	**668,567**
	10,690,607	**5,100,607**	**3,615,274**	**668,567**
At 31 December 2016				
Trade and other payables	2,399,541	–	–	–
Borrowings	3,585,880	5,892,430	5,532,656	635,027
	5,985,421	5,892,430	5,532,656	635,027

28.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital structure using the gearing ratio (ratio of total borrowings to total equity). The Group's gearing ratio at 31 December 2017 was 60.9% (2016: 60.2%).

Management reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. In order to maintain or balance the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or debts or redeem existing debts.

28. FINANCIAL RISK MANAGEMENT *(continued)*

28.3 Fair value estimation

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

At 31 December 2017, financial instruments included in level 1 comprise listed equity securities classified as available-for-sale financial assets and measured at the quoted price.

There were no transfers between different levels of the fair value hierarchy during the year.

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment assessment of long-term assets

As at 31 December 2017, the market capitalisation of the Group was below its net asset value. This is an impairment indicator of long-term assets.

Management of the Group performed impairment assessment for the long-term assets. Each type of business is identified as a cash-generating unit. Management reviews the business performance on individual cash-generating unit basis.

The recoverable amounts of cash-generating units are determined using value-in-use model which were calculated based on present value of future cash flows. The key assumptions adopted in the future cash flows forecasts include the estimation of growth rates of business volume, unit price and cost of sales, and the discount rate. The growth rates are estimated based on historical records, past performance and management's expectations for the market development. The discount rates used reflect the cost of capital of each cash-generating unit and the relevant territory and industry specific factors. As a result of the impairment assessment of long-term assets, no impairment provision was made.

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including trade and other receivables and amounts due from subsidiaries). This estimate is based on the credit history and financial position of the debtors and all other relevant factors. Management will reassess the provision by the end of each reporting period.

Deferred income tax

Under the applicable income tax law in the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by foreign-invested companies after 1 January 2008 to foreign investors. Deferred tax liabilities have been provided on undistributed profits of the PRC subsidiaries, associates and joint ventures. Such provision depends on the dividend policies of the respective companies. Where the final outcome is different from the amounts that were initially recorded, such difference will impact deferred tax provisions in the period in which such determination is made.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be recovered. Management will revise the assumptions and profit projections by the end of each reporting period.

30. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2017, the Group had the following principal subsidiaries, associates and joint ventures which, in the opinion of the directors of the Company, materially affect the results and/or assets of the Group.

(a) Subsidiaries

The followings are principal subsidiaries in which the Company has interest at 31 December 2017:

Name	Registered capital/ Issued share capital	Interest held (%)	Principal activities
Listed, indirectly held by the Company, established and operating in the PRC			
Tianjin Port Holdings Co., Ltd.#	RMB1,674,769,120	56.81	Cargo handling, agency and ancillary services
Unlisted, indirectly held by the Company, established and operating in the PRC			
Tianjin Port No. 1 Stevedoring Co., Ltd.**	RMB277,000,000	100	Container handling, non-containerised cargo handling and ancillary services
Tianjin Port No. 2 Stevedoring Co., Ltd.**	RMB815,180,100	100	Non-containerised cargo handling and ancillary services
Tianjin Port No. 4 Stevedoring Co., Ltd.**	RMB808,278,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port Container Terminal Co., Ltd.**	RMB1,021,230,000	100	Container handling and ancillary services
Tianjin Port Coke Terminals Co., Ltd.**	RMB600,000,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port Goods and Materials Supplying Co., Ltd.**	RMB98,396,000	100	Sales of supplies and materials
Tianjin Port Logistics Development Co., Ltd.**	RMB1,090,730,000	100	Agency and port ancillary services
Tianjin Port Petrochemicals Terminal Company Limited**	RMB110,700,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port Tugboat Lighter Co., Ltd.***	RMB286,709,000	100	Tugboat services
Tianjin Xingang Sinor Terminal Co., Ltd.**	RMB26,079,000	100	Non-containerised cargo handling and ancillary services

30. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(continued)*

(a) Subsidiaries *(continued)*

Name	Registered capital/ Issued share capital	Interest held (%)	Principal activities
Unlisted, indirectly held by the Company, established and operating in the PRC *(continued)*			
Tianjin Port Xingdong Logistics Co., Ltd.**	RMB444,000,000	100	Port ancillary services
Tianjin Ocean Shipping Tally Co., Ltd.**	RMB20,000,000	84	Tallying services
China Ocean Shipping Agency Company Tianjin Limited**	RMB101,220,000	60	Agency services
Tianjin Zhongtie Storage and Transportation Co., Ltd.**	RMB10,000,000	60	Sales of other materials
TPG Global RO-RO Terminal Co., Ltd.*	RMB264,460,000	56.17	Non-containerised cargo handling and ancillary services
Tianjin Port Ro-Ro Terminal Co., Ltd.*	US$23,500,000	56.17	Non-containerised cargo handling and ancillary services
CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd.**	RMB200,000,000	53	Sales of fuel oil
Tianjin Orient Container Terminals Co., Ltd.*	US$29,200,000	51	Container handling and ancillary services
Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.**	RMB1,125,000,000	51	Non-containerised cargo handling and ancillary services
Tianjin Port Pacific International Container Terminal Co., Ltd.*	RMB2,303,350,000	51	Container handling and ancillary services
Tianjin Port Yuanhang Ore Terminal Co., Ltd.*	US$58,895,400	51	Non-containerised cargo handling and ancillary services
Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd.*	US$115,110,000	51	Non-containerised cargo handling and ancillary services
Tianjin Port Yuanhang International Ore Terminal Co., Ltd.*	RMB1,470,283,000	51	Non-containerised cargo handling and ancillary services
Tianjin Haitian Bonded Logistics Co., Ltd.*	RMB210,000,000	51	Warehousing, logistics and ancillary services
Tianjin Port CNAF Terminal Co., Ltd.**	RMB149,000,000	51	Non-containerised cargo handling and ancillary services

30. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(continued)*

(a) Subsidiaries *(continued)*

Name	Registered capital/ Issued share capital	Interest held (%)	Principal activities
Unlisted, indirectly held by the Company, incorporated and operating in Hong Kong			
Champion Sky Enterprises Limited	HK$2	100	Investment holding
Full Advance International Limited	HK$1	100	Investment holding
Well Light Enterprises Limited	HK$2	100	Investment holding
Unlisted, directly held by the Company, incorporated and operating in Hong Kong			
Grand Point Investment Limited	HK$1	100	Investment holding
Unlisted, directly held by the Company, incorporated in the British Virgin Islands and operating in Hong Kong			
Ace Advantage Investments Limited	US$100	100	Investment holding
High Reach Investments Limited	US$100	100	Investment holding
Shinesun Investments Limited	US$100	100	Investment holding
Tianjin Port Development Finance Limited	US$1	100	Treasury services
Tianjin Port Development International Limited	US$1	100	Investment holding
Win Many Investments Limited	US$1	100	Investment holding

Notes:

#	Joint stock company with limited liability
*	Sino-foreign joint venture
**	Limited liability company
***	Wholly-foreign owned enterprise

30. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Associates

The followings are principal associates at 31 December 2017, all of which are unlisted, established and operating in the PRC:

Name	Registered capital	Interest held (%)	Principal activities
Tianjin Yuanhang Ore Logistics Co., Ltd.	RMB45,000,000	49	Logistics and ancillary services
Tianjin Port Finance Co., Ltd.	RMB1,150,000,000	48	Financial services
Shenhua Tianjin Coal Terminal Co., Ltd.	RMB2,663,527,500	45	Non-containerised cargo handling and ancillary services
Tianjin Port Alliance International Container Terminal Co., Ltd.	US$160,000,000	40	Container handling and ancillary services
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	40	Container handling and ancillary services

(c) Joint ventures

The followings are principal joint ventures at 31 December 2017, all of which are unlisted, established and operating in the PRC:

Name	Registered capital	Interest held (%)	Principal activities
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	RMB645,600,000	51	Warehousing, logistics and ancillary services
Tianjin Port Euroasia International Container Terminal Co., Ltd.	RMB1,260,000,000	40	Container handling and ancillary services
Tianjin Port Shihua Crude Oil Terminal Co., Ltd.	RMB482,660,000	50	Non-containerised cargo handling and ancillary services
Tianjin Dehai Petroleum Products Sales Co., Ltd.	RMB42,000,000	50	Sales of fuel
Vopak Nanjiang Petrochemical Terminal Tianjin Company Limited	US$8,460,000	50	Warehousing, logistics and ancillary services

None of the investors in the above entities have unilateral control of their respective economic activities, resulting in joint control over these entities by the respective investors.

31. ULTIMATE HOLDING COMPANY

The directors of the Company consider Tianjin Port (Group) Co., Ltd., a company established in the PRC, as the ultimate holding company.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**3,465**	3,322
Interests in subsidiaries	**16,790,871**	16,772,112
Interests in joint ventures	**–**	587,631
Available-for-sale financial assets	**24,000**	27,800
	16,818,336	17,390,865
Current assets		
Other receivables	**18,682**	46,518
Amounts due from subsidiaries	**805,010**	230,696
Time deposits with maturity over three months	**442,266**	6,708
Cash and cash equivalents	**2,689,058**	238,132
	3,955,016	522,054
Total assets	**20,773,352**	17,912,919
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**615,800**	615,800
Other reserves *(Note i)*	**13,367,425**	12,595,728
Retained earnings *(Note ii)*	**2,206,682**	660,514
Total equity	**16,189,907**	13,872,042
LIABILITIES		
Current liabilities		
Other payables	**149,086**	33,978
Amounts due to subsidiaries	**4,434,359**	4,006,899
Total liabilities	**4,583,445**	4,040,877
Total equity and liabilities	**20,773,352**	17,912,919

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2018 and was signed on its behalf by:

ZHANG Ruigang	**LI Quanyong**
Director	*Director*

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

i. Other reserves of the Company

	Share premium HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 January 2016	11,068,744	1,450,909	15,000	25,866	1,218,323	13,778,842
Currency translation differences	–	–	–	–	(927,572)	(927,572)
Fair value loss on available-for-sale financial assets	–	–	(2,000)	–	–	(2,000)
Share-based compensation	–	–	–	2,015	–	2,015
Dividend	(255,557)	–	–	–	–	(255,557)
At 31 December 2016	**10,813,187**	**1,450,909**	**13,000**	**27,881**	**290,751**	**12,595,728**
Currency translation differences	**–**	**–**	**–**	**–**	**987,332**	**987,332**
Fair value loss on available-for-sale financial assets	**–**	**–**	**(3,800)**	**–**	**–**	**(3,800)**
Dividend	**(211,835)**	**–**	**–**	**–**	**–**	**(211,835)**
At 31 December 2017	**10,601,352**	**1,450,909**	**9,200**	**27,881**	**1,278,083**	**13,367,425**

ii. Retained earnings of the Company

	HK$'000
At 1 January 2016	24,816
Profit for the year	635,698
At 31 December 2016	**660,514**
Profit for the year	**1,546,168**
At 31 December 2017	**2,206,682**

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Revenue	22,108,849	33,559,969	20,541,760	16,456,982	**16,621,811**
Business tax and surcharge	(67,560)	(74,357)	(65,583)	(39,105)	**(18,318)**
Cost of sales	(17,985,873)	(28,917,206)	(15,817,854)	(11,848,641)	**(12,961,777)**
Gross profit	4,055,416	4,568,406	4,658,323	4,569,236	**3,641,716**
Other income and gains	396,820	292,439	324,539	226,382	**516,882**
Administrative expenses	(2,017,083)	(2,183,040)	(2,068,313)	(1,979,661)	**(1,912,589)**
Other operating expenses	(9,929)	(35,220)	(336,423)	(320,216)	**(50,760)**
Operating profit	2,425,224	2,642,585	2,578,126	2,495,741	**2,195,249**
Finance costs	(427,670)	(478,915)	(611,479)	(584,608)	**(571,887)**
Share of net profit of associates and joint ventures accounted for using the equity method	401,690	501,463	527,502	448,108	**502,577**
Profit before income tax	2,399,244	2,665,133	2,494,149	2,359,241	**2,125,939**
Income tax	(466,645)	(601,496)	(632,142)	(571,717)	**(471,273)**
Profit for the year	1,932,599	2,063,637	1,862,007	1,787,524	**1,654,666**
Profit attributable to:					
Equity holders of the Company	811,047	819,125	639,387	530,479	**774,592**
Non-controlling interests	1,121,552	1,244,512	1,222,620	1,257,045	**880,074**
	1,932,599	2,063,637	1,862,007	1,787,524	**1,654,666**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Land use rights	5,423,843	5,834,689	5,759,693	5,686,092	**6,334,061**
Property, plant and equipment	21,682,171	21,895,298	20,493,102	18,960,072	**19,834,777**
Intangible assets	47,121	51,115	48,977	65,043	**69,909**
Investments accounted for using the equity method	4,995,467	5,745,904	5,603,976	5,421,257	**5,972,997**
Available-for-sale financial assets	385,297	601,279	565,065	518,458	**958,574**
Deferred income tax assets	170,757	132,587	98,890	91,491	**63,520**
Other non-current assets	–	–	596,801	–	**–**
Current assets	11,366,231	14,854,505	13,285,419	11,594,094	**14,213,586**
Total assets	44,070,887	49,115,377	46,451,923	42,336,507	**47,447,424**
Total liabilities	(20,071,795)	(23,587,820)	(21,830,331)	(18,220,114)	**(20,484,587)**
Non-controlling interests	(12,510,022)	(13,521,761)	(13,010,871)	(12,978,991)	**(14,237,699)**
Shareholders' equity	11,489,070	12,005,796	11,610,721	11,137,402	**12,725,138**

In this report, unless the context requires otherwise, the following expressions shall have the following meanings:

"Articles of Association"	the articles of association of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code, Appendix 14 to the Listing Rules
"Company"	Tianjin Port Development Holdings Limited
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 26 April 2006
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Port Co"	天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.*), a limited liability company incorporated in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600717), and a non wholly-owned subsidiary of the Group
"Tianjin Port Group"	天津港(集團)有限公司 (Tianjin Port (Group) Co., Ltd.*), a limited liability company incorporated in the PRC and the Company's ultimate holding company
"U.S."	the United States of America
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the U.S.
"%"	per cent

* *for identification purposes only*

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

ZHANG Ruigang *(Chairman)*
LI Quanyong *(Managing Director)*△
WANG Rui+
YU Houxin
SHI Jing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Japhet Sebastian LAW*+
CHENG Chi Pang, Leslie*△
ZHANG Weidong*+△

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

CHAN Yeuk Kwan, Winnie

AUDITOR

PricewaterhouseCoopers

PRINCIPAL LEGAL ADVISORS

Woo Kwan Lee & Lo, as to Hong Kong law
Appleby, as to Cayman Islands law

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
DBS Bank Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE

Hong Kong Stock Exchange: 03382

△ Members of Nomination Committee, ZHANG Weidong is the chairman of the committee
+ Members of Remuneration Committee, Japhet Sebastian LAW is the chairman of the committee
* Members of Audit Committee, CHENG Chi Pang, Leslie is the chairman of the committee

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