# 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

# ANNUAL REPORT 2018

# 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 2018, 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.

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# MILESTONES

**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.

**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.


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

**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.

**2008** 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.

# MILESTONES

## 2004

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

## 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.

## 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 2018 | 2017 |
|---|---|---|
| Total throughput | | |
| Non-containerised cargo (million tonnes) | **255.57** | 268.38 |
| Container (million TEUs) | **15.97** | 15.04 |
| Consolidated throughput | | |
| Non-containerised cargo (million tonnes) | **196.12** | 212.37 |
| Container (million TEUs) | **7.70** | 7.24 |

| HK$ million | For the year ended 31 December 2018 | 2017 |
|---|---|---|
| Revenue | **15,871** | 16,622 |
| Operating profit | **1,471** | 2,195 |
| Profit before income tax | **1,303** | 2,126 |
| Profit attributable to Shareholders | **431** | 775 |
| Basic earnings per share (HK cents) | **7.0** | 12.6 |
| Net cash inflow from operating activities | **2,760** | 2,039 |

| HK$ million | As at 31 December 2018 | 2017 |
|---|---|---|
| Shareholders' equity | **12,224** | 12,725 |
| Non-controlling interests | **13,665** | 14,238 |
| Total equity | **25,889** | 26,963 |
| Total assets | **45,471** | 47,447 |
| Total borrowings | **15,451** | 16,409 |
| Financial ratios | | |
| Gearing ratio *(Note 1)* | **59.7%** | 60.9% |
| Current ratio | **1.4** | 1.3 |
| Net assets per share - book value *(Note 2)* (HK$) | **2.0** | 2.1 |

*Notes:*

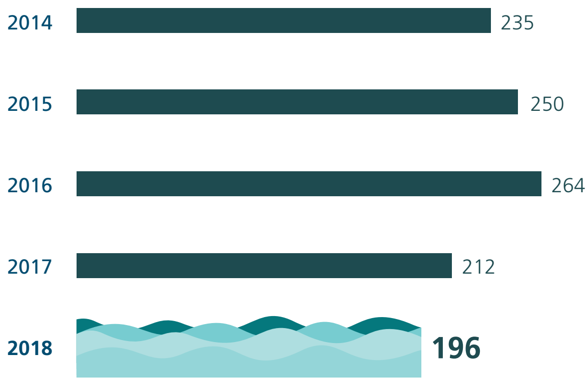
1. Gearing ratio represents total borrowings divided by total equity.

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

# FINANCIAL HIGHLIGHTS

## Consolidated non-containerised cargo throughput

(million tonnes)

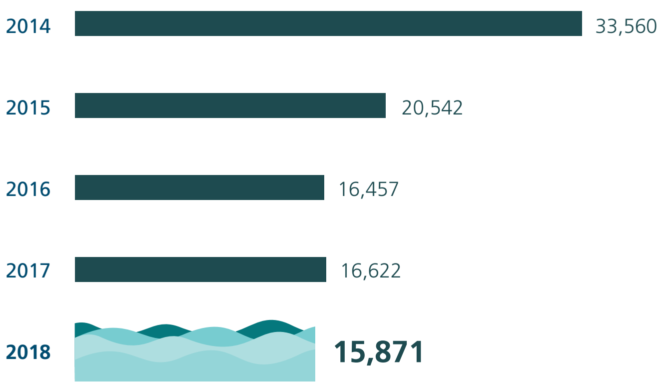



## Consolidated container throughput

(million TEUs)

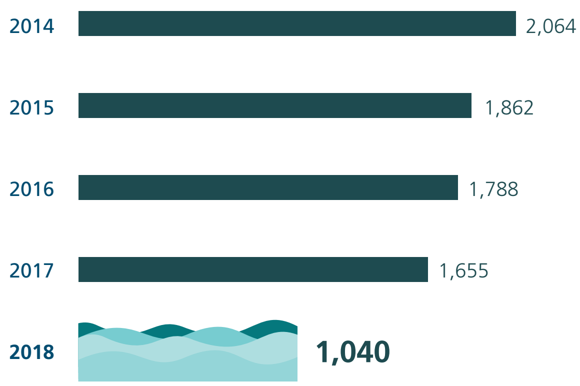

## Revenue

(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 2018.

In 2018, continuous growth was seen in the global economy. The U.S. delivered outstanding economic performance; the European economy continued to grow but at a slower rate; and China experienced reasonable economic development. With a solid foundation for foreign trade, China's import and export trade maintained satisfactory performance despite the pressure of the China-U.S. trade war. The total value of import and export trade of China rose by 12.6% year-on-year to US$4.6 trillion.

Driven by global economic growth, trade volume increased in 2018 although with weaker growth momentum. Growth rate of cargo throughput of the ports of significant scale in China was 2.7%. In 2018, 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.

Total cargo throughput handled by the Group for the year decreased by 0.9% year-on-year to 429 million tonnes. Total non-containerised cargo throughput handled was 256 million tonnes, representing a year-on-year decrease of 4.8%, and total container throughput handled was 15.972 million TEUs, representing a year-on-year increase of 6.2%.

Renminbi depreciated as the U.S. dollar continued to strengthen. This affected the carrying amount of the HK$ borrowings held by the Group adversely and led to an exchange loss (an exchange gain was recorded in 2017 due to the appreciation of Renminbi). Profit attributable to Shareholders for the year ended 31 December 2018 was HK$431 million and basic earnings per share was HK7.0 cents. The Group will closely monitor the changes in the exchange rate of Renminbi, strive to optimise the borrowing structure, maintaining balance between lowering borrowing costs and minimising foreign exchange risk.

The Board is pleased to recommend the payment of a final dividend of HK2.79 cents per share, representing a payout ratio of 40% for the year.

In recent years, port industry is undergoing change in response to the environmental protection measures promoted in China. By actively exploring and implementing various measures and actions, the Group revised its development philosophy and pursued the path to green development, complying with government policies. In 2018, the Group fully accelerated the provision of shore-powered supply at terminals for vessels, reducing air pollutant emission and actively pushing forward the construction of a green port.

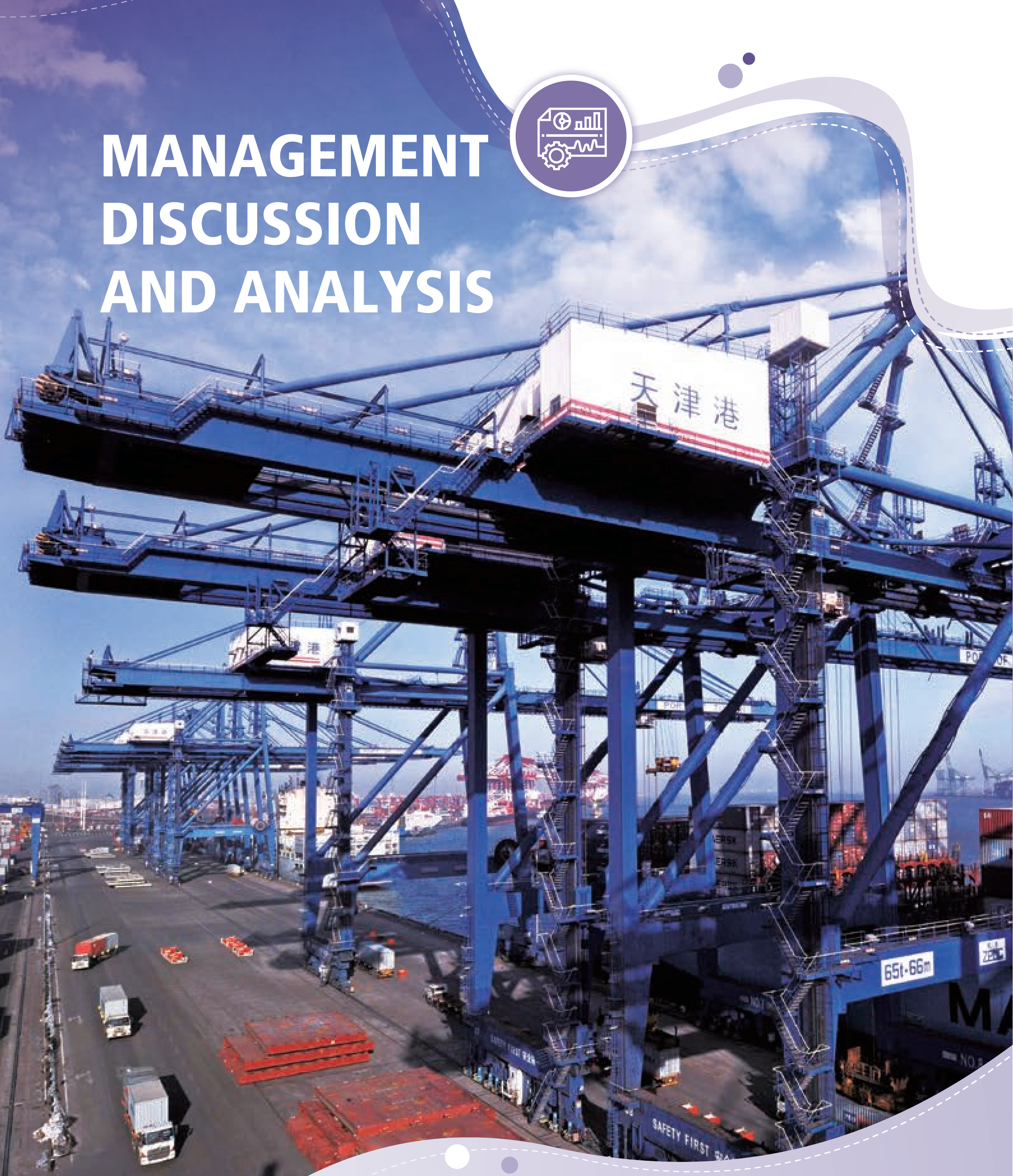
Looking ahead to 2019, the global economy will face more uncertainties in view of the apparent slowdown in its growth momentum and the increasing international trade conflicts. Both the U.S. and Europe are expected to see slower economic growth compared to 2018. China's target GDP growth rate is set at 6%-6.5% which is lower than the growth rate in 2018, reflecting uncertainties to the Chinese economy brought by the economic conditions, especially the China-U.S. trade war. However, it also indicates that the Chinese economy is shifting from rapid growth to quality development. The slowdown in the growth of global economy and trade activities is expected to generate uncertainties in port business. Going forward, the Group will continue to actively engage in the major national strategies of the "One Belt and One Road" formation, the construction of "Xiong'an New Area" and "Jing-Jin-Ji integration". With a focus on the hub upgrade, intelligent transformation, management improvement and synergistic development of the port, the Group aims to build an intelligent and green port to achieve quality development and create new opportunities, further reinforcing its competitiveness and creating value for stakeholders and society.

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,
**CHU Bin**
*Chairman*

Hong Kong, 27 March 2019

# MANAGEMENT DISCUSSION AND ANALYSIS



## OPERATION ENVIRONMENT

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

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

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

## FINAL RESULTS

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

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

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

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

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

# REVIEW OF OPERATIONS

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

## Non-containerised Cargo Handling Business

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

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

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

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

## Container Handling Business

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

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

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

On a consolidated basis, the blended average unit price of the container handling business increased by 2.2% over last year to HK$281.0 per TEU (2017: HK$274.9 per TEU). In RMB, the blended average unit price was at par with last year.

## Sales Business

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

During the year under review, the Group recorded revenue of HK$6,466 million from the sales business segment, representing a decrease of 5.6% over last year, which was mainly due to the drop in sales volume.

## Other Port Ancillary Services Business

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

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

# OUTLOOK

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

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

# FINANCIAL REVIEW

## Revenue

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

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

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

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

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

The decrease in non-containerised cargo throughput affected the performance of other port ancillary services business. Revenue from other port ancillary services business was HK$2,543 million, an 8.4% decrease over last year and a 10.4% decrease in RMB.

## Costs of Sales

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

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

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

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

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

## Gross Profit

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

## Administrative Expenses

Administrative expenses of the Group decreased by 5.6% over last year to HK$1,805 million. The Group will continue to take strict measures in control and management so as to maintain administrative expenses at a reasonable level.

## Other Income and Gains and Other Operating Expenses

Other income and gains amounted to HK$373 million, representing a decrease of HK$144 million over last year, which was mainly due to the increase in interest income of HK$106 million and the inclusion of an exchange gain of HK$281 million last year.

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

## Finance Costs

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

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

The Group's share of net profit of associates and joint ventures accounted for using the equity method was HK$448 million, representing a decrease of HK$54.18 million over last year. There was a decrease in profit from financial business and cargo handling business.

## Income Tax

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

# FINANCIAL POSITION

## Cash Flow

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

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

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

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

## Capital Structure

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

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

## Assets and Liabilities

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

## Liquidity, Financial Resources and Borrowings

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

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

## Financial Ratios

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

## Pledge of Assets

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

## Contingent Liabilities

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

## Financial Management and Policy

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

The operations of the Group are located in the PRC and its functional currency is RMB. The Group is exposed to foreign exchange risk primarily from the assets and liabilities that are denominated in non-functional currencies. As at 31 December 2018, most of the Group's assets and liabilities were denominated in RMB except for certain HK$ bank borrowings. In 2018, the exchange rate of RMB was relatively volatile. In the first quarter of 2018, RMB continued its strengthening trend in December 2017 while weakening in April to early-June, and depreciated rapidly from mid-June. Due to the lower exchange rate of RMB at the end of 2018 than that of the end of 2017, exchange loss of HK$204 million (2017: exchange gain of HK$281 million) arose from the translation of foreign currency denominated liabilities held by the Group. As the Group operates its business in the PRC, the fluctuations in RMB exchange rate will affect the Group's results reported in HK$. No hedging arrangement was entered into in respect of foreign exchange risk exposure during the year under review.

The Group's interest rate risk arises primarily from the fluctuation on interest rates of borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk while borrowings at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2018, the Group's total borrowings were HK$15,451 million, of which approximately 86.1% were at floating interest rate while the remaining 13.9% were at fixed interest rate, and the average borrowing interest rate was 4.2% (31 December 2017: 3.9%).

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

# CAPITAL EXPENDITURE AND COMMITMENTS

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

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

# MATERIAL INVESTMENTS

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

1. 天津港東疆物流園有限公司 (Tianjin Port Dongjiang Logistics Park Co., Ltd.*) (a wholly-owned subsidiary of the Group) invests in, constructs and operates the Tianjin Port Dongjiang Logistics Park project with registered capital of RMB230 million. As at 31 December 2018, the cumulative capital contribution made by the Group was RMB187 million.
2. 天津港海嘉汽車碼頭有限公司 (Tianjin Port Haijia Automobile Terminal Co., Ltd.*) (a non wholly-owned subsidiary of the Group) invests in, constructs and operates the professional automobile ro-ro terminal project with registered capital of RMB400 million. The Group holds 51% equity interest in it and the capital contribution (on a pro rata basis) by the Group amounts to RMB204 million. In 2018, the Group made a capital contribution of RMB102 million. As at 31 December 2018, the Group made its capital contribution in full.

# 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 2019

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# ABOUT THE REPORT

This report aims at enhancing stakeholders' understanding of the Group's environmental, social and governance performance as well as sustainability strategies. The Board acknowledges its responsibility for ensuring the integrity of the report. To the best of its knowledge, the report identifies relevant risks and opportunities based on materiality assessment and fairly discloses the performance of each material topic. The Board has reviewed and approved the report.

## Report Guideline

This is the third Environmental, Social and Governance ("ESG") report of the Group, which has been prepared in compliance with ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The report adheres to the reporting principles of materiality, quantitativeness, balance and consistency.

## Reporting Scope

This report covers all operations of the Group and describes the performance and progress in respect of environmental and social issues of the Group for the period from 1 January 2018 to 31 December 2018. For corporate governance section, please refer to pages 47 to 57 of the annual report.

## Feedback

The Group continues to improve our ESG disclosure and way of communication. We welcome your feedback and suggestions you may have in terms of what you would like to read in our future reports. Our contact information is as follows:

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## CHAIRMAN'S MESSAGE

Dear stakeholders,

It is my great pleasure to present the Group's third ESG report, which reflects our efforts and achievements in sustainable development in 2018.

As the major port operator in the biggest comprehensive cargo and foreign trade port in Northern China, the Group is committed to embedding sustainability into our daily operations to shoulder a bigger share of social responsibility. In 2018, we conducted a materiality assessment to understand our stakeholders' concerns and their suggestions on sustainable development. The assessment results show that our stakeholders are primarily concerned with topics on energy management, environmental compliance, occupational health and safety, customer satisfaction and compliant operations. The Group strives to improve our strategies, systems and measures to address risks related to these topics, including stricter implementation of our environmental management system, continuous improvement of operational efficiency and service quality, provision of a safe, healthy, equal and positive working environment for employees, as well as active contribution to the community.

The Group has strictly followed our three-year action plan for construction of a green port and has made remarkable achievements in environmental management during the year, which were recognised by the national government and the community. Internally, the Group is focused on improving our environmental management system and strengthening pollution prevention and control work. Externally, we actively encourage vessels to use shore-based supply of power and low-sulphur fuel, thereby making proactive contribution to air quality in Jing-Jin-Ji region.

To deliver quality services to our valuable customers, the Group strives to maintain a sustainable supply chain and adopt a comprehensive quality management system. Most of the Group's subsidiaries and affiliates are certified with the GB/T19001 Quality Management System. During the year, we made significant progress in construction of an intelligent port. We have carried out construction of automated gates and semi-automatic terminal renovation projects, as well as inspection and control of container operating units to improve operational efficiency and service quality. In addition, we have significantly increased the number of registered customers as well as the trading volume on our materials trading platform, a channel for suppliers' communication, in 2018.

With approximately 8,300 employees under management, the Group puts occupational health and safety as our first priority. The Group has received occupational health and safety management system certification. During the year, we have invested more than RMB130 million to improve safety management. The Group has upgraded our safety management system by expanding the safety management team and employing a third-party consulting agency to review the safety management system. Besides, we have also launched safe production month and emergency drills to raise employees' safety awareness. The Group attaches great importance to talent management. Under the guidance of "people-oriented" management philosophy, we are committed to providing employees with equal and positive job opportunities. During the year, our labour union took a series of actions to safeguard employees' rights, including a self-inspection exercise to examine adequacy of labour protection for female employees, training on labour dispute mediation and providing legal aid. The Group also emphasizes personal development of employees and helps enhance their productivity through training. Furthermore, we contribute to the community through actively supporting the underprivileged. During the year, the Group actively promoted youth volunteer service, helped poor areas and provided care for children with autism.

Sustainability is a long-term journey and there is much more to be done. Looking forward, we will continue to bear our social and environmental responsibilities and create sustained value for stakeholders. We look forward to your continued interest and support in our future endeavours.

**CHU Bin**
*Chairman*

Hong Kong, 27 March 2019

# ESG MANAGEMENT APPROACH

As the leading port operator in Tianjin, the Group is principally engaged in container and non-containerised cargo handling businesses, sales businesses and port ancillary services businesses. The Group strives to establish a sustainable business model to safeguard achieving operations efficiency, while bearing our share of social responsibility including environmental protection, occupational health and safety, as well as charitable contributions to the community.

To effectively manage the Group's ESG performance, an ESG task force has been established, which reports to the Board. The task force is responsible for supervising and managing ESG-related risks and opportunities. It comprises members of senior management who have sufficient knowledge in both ESG matters and the Group's operations.

## Stakeholder Engagement

The Group regards the expectations and demands of stakeholders as an important factor in formulating our sustainability strategy. We communicate with a wide array of stakeholders on an ongoing basis through channels and platforms such as annual reports, general meetings, one-on-one meetings and regular dialogues. The table below illustrates our stakeholder groups and engagement channels.

| Our Stakeholder | | | | | |
|---|---|---|---|---|---|
| **Employees** | **Customers** | **Shareholders/ Investors** | **Suppliers** | **Government** | **Community** |
| **Engagement Channel** | | | | | |
| Internal communication | Satisfaction survey | Annual report | Supplier assessment | Regular meeting | Volunteering |
| Seminar and survey | Complaint handling mechanism | General meeting | Procurement platform | Policy advocacy | Donation |
| Labour union | | Investors' meeting | Materials trading platform | | |
| Employee activity | | | Supplier meeting | | |

## Materiality Assessment

To understand the impact of our business in the context of various sustainability issues, we commissioned an independent consultancy firm in 2018 to identify material topics through the process of identification, prioritization, validation and review.

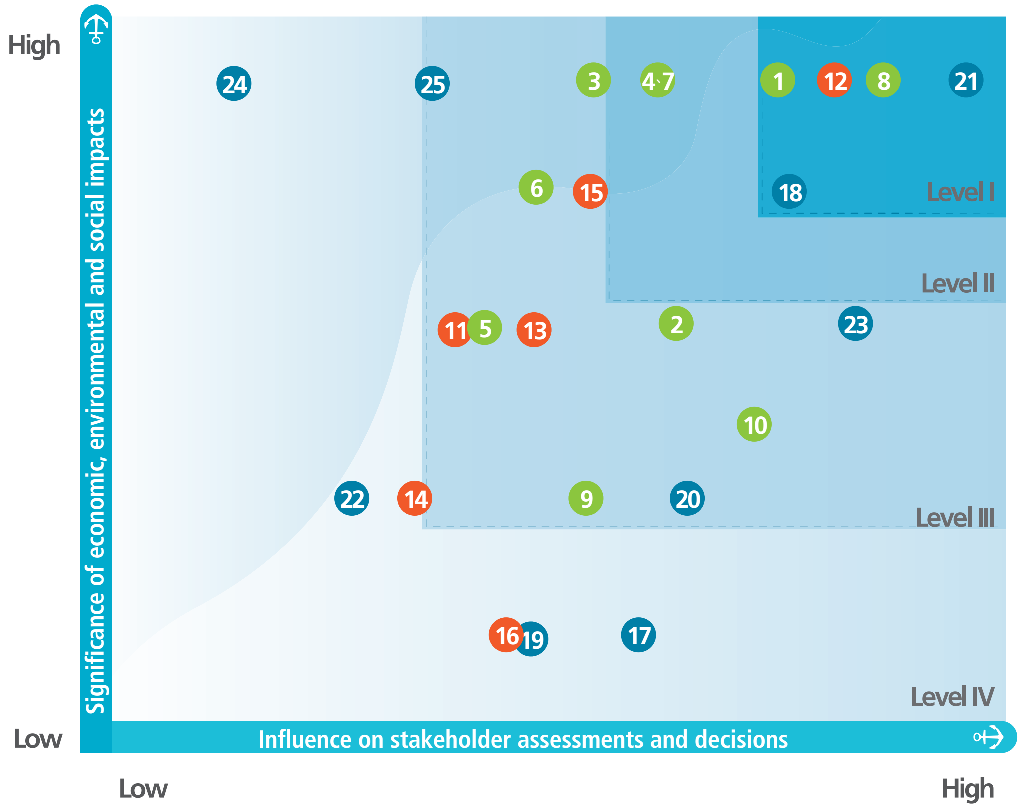
With reference to the Stock Exchange ESG Reporting Guide, GRI Sustainability Reporting Standards, Sustainability Accounting Standards Board, as well as peer analysis and media coverage analysis, we have identified 25 potential material topics covering environmental, social and economic aspects. We then invited various stakeholders and representatives of the Group's management to complete online surveys based on these potential topics to understand their opinions and expectations.

16 responses were received from the management and stakeholders including customers, employees, suppliers, contractors and shareholders. Based on the two dimensions of "significance of economic, environmental and social impacts" and "influence on stakeholder assessments and decisions", the Group has identified material topics and determines the following materiality matrix.

| | |
|---|---|
| **Identify** | Identify 25 potential material topics based on the Stock Exchange guidelines and other factors |
| **Prioritize** | Prioritize material topics through conducting online surveys and based on the two dimensions of "significance of economic, environmental and social impacts" and "influence on stakeholder assessments and decisions" |
| **Validate** | Management validates the identified material topics |
| **Review** | Review the assessment process of material topics and identify areas for improvement |

## Materiality Matrix

The topics in the materiality matrix are categorised into four groups – Level I to Level IV, according to significance to the two dimensions. The topics classified in Level I with higher scores in both dimensions are identified as the Group's material topics.




| Level I | Level II | Level III | Level IV |
|---|---|---|---|
| 1 Energy Management<br>8 Environmental Compliance<br>12 Occupational Health and Safety<br>18 Customer Satisfaction<br>21 Compliant Operations | 4 Air Emission Management<br>7 Oil Spillage | 2 Water Management<br>3 Greenhouse Gas Management<br>5 Sewage Management<br>6 Waste Management<br>9 Ecological Conservation<br>10 Port Area Greening<br>11 Talent Management<br>13 Employee Training and Development<br>15 Employee Communication<br>20 Supplier Management<br>23 Economic Benefits of Tianjin Port Development Generated in the Region Where it Operates<br>25 Business Ethics | 14 Diversity and Equal Opportunity<br>16 Prevention of Child Labour and Forced Labour<br>17 Product Safety<br>19 Customer Privacy<br>22 Community Involvement<br>24 Anti-corruption |

Category
•Environmental issue •Employee issue •Operation and economic issue

The Group's material topics include energy management, environmental compliance, occupational health and safety, customer satisfaction and compliant operations. The report focuses on disclosing information on these material topics. The following table presents an overview of what actions have been taken by the Group during the year and the corresponding sections in the report.

| Material Topic | Actions taken in 2018 | Corresponding Section |
|---|---|---|
| **Energy management** | Adopted energy-saving management approaches<br>Constructed automated operations in container terminals<br>Promoted shore-based power supply for port vessels | Environmental Compliance |
| **Environmental compliance** | Complied with environmental laws and regulations<br>Improved environmental management system<br>Strengthened pollution prevention and control work | Environmental Compliance |
| **Occupation health & safety** | Invested RMB130 million in safety operation management<br>Expanded the safety operation management team and employed a third-party consulting agency to review the system<br>Fully participated in 2018 safe production month | Our Employees |
| **Customer Satisfaction** | Conducted customer satisfaction survey<br>Improved container monitoring based on customer feedback<br>Promoted the integration of container terminal operation systems | Operational Excellence |
| **Compliant Operations** | Complied with laws and regulations related to operations<br>Strengthened environmental monitoring<br>Protected customer data | Operational Excellence |

## Sustainability Awards

During the year, the Group obtained remarkable achievement in R&D and promoting industry development. Relevant awards received by the Group's subsidiaries and affiliates in 2018 are as follows:

| Company | Award |
|---|---|
| **Shenhua Tianjin Coal Terminal Co., Ltd.** | ⚓ Tianjin Municipal High-Tech Enterprise |
| **Tianjin Five Continents International Container Terminal Co., Ltd.** | ⚓ "Automatic stack yard operation control system of rail crane and container handling method" was awarded the 19th WIPO – CNIPA Award for Chinese Outstanding Patented Invention & Industrial Design - Excellence Award<br>⚓ "Research on remote control system of rail crane" was awarded the Tianjin Municipal Technological Progress Third Prize |
| **Tianjin Port Euroasia International Container Terminal Co., Ltd.** | ⚓ "Anti-groove device for steel wire rope on upper shelf of yard crane hanger" was awarded "National Leading" by Tianjin Hi-Tech Transformation Center<br>⚓ "Improvement of decelerator of quay crane" and "Anti-smash system for the truck under yard crane" were awarded "Industry Leading" by Tianjin Hi-Tech Transformation Center |

# ENVIRONMENTAL COMPLIANCE

The Group is committed to operating a green port with a low carbon footprint with the philosophy of "leading in energy conservation, achieving green development".

## Environmental Management System

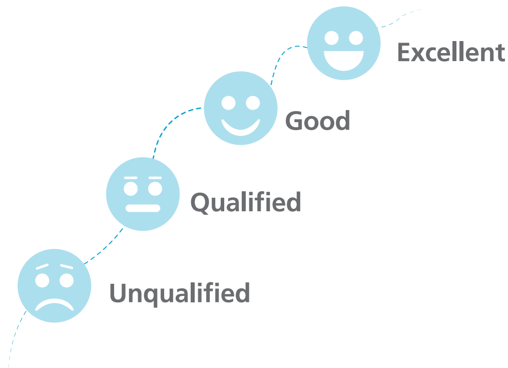
The Group is fully aware of our environmental responsibilities. As such, we have established a comprehensive environmental management system to mitigate our impacts on the environment and to meet stringent national environmental requirements. The environmental responsibility and measures of the Group and our subsidiaries and affiliates are clearly defined through strict implementation of resources management and emission control policies. In 2018, we have formulated a new regulation in accordance with Tianjin Municipal Government's requirement to further define our environmental responsibility and clarify the rights and obligations of the Group and our subsidiaries and affiliates. During the year, 21 subsidiaries and affiliates of the Group were awarded ISO14001 environmental management system certifications.

### Environmental Assessment Approach

The Group has formulated a set of approaches to evaluate the environmental performance of our subsidiaries and affiliates. The Group scores the performance on each aspect through regular and spontaneous checks. Every December, all departments must submit an annual self-inspection report, upon which the Group conducts a comprehensive assessment.

| Type of Assessment | Content |
|---|---|
| **Inspection** | ⚓ Regular environmental management<br>⚓ Sanitation work<br>⚓ Greening |
| **Comprehensive assessment** | ⚓ Implementation of environmental responsibilities<br>⚓ Construction of environmental management system<br>⚓ Evaluation of environmental indicators<br>⚓ Rectification of environmental issues<br>⚓ Environmental protection education and publicity<br>⚓ Implementation of response to emergent environmental issues |

The assessment grades performance as excellent, good, qualified or unqualified, which serves as a basis for the Company's annual performance appraisal. In 2018, all subsidiaries and affiliates met the assessment criteria and passed the environmental assessment tests.




In 2018, the Group further improved our environmental assessment system to perfect the environmental management system. We have implemented the feedback mechanism to prevent, detect and solve problems through various inspections.

The Group strictly complies with environmental laws and regulations in China, including but not limited to the "Environmental Protection Law of the PRC", "Marine Environment Protection Law of the PRC", "Atmospheric Pollution Prevention and Control Law of the PRC", "Water Pollution Prevention and Control Law of the PRC", "Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste", "Energy Conservation Law of the PRC", "Cleaner Production Promotion Law of the PRC", "Regulations of Tianjin Municipality on Promoting Cleaner Production", "Water Law of the PRC", "Regulations of Tianjin Municipality on Water Conservation", "Law of the PRC on Appraising of Environmental Impacts", and "Regulations of the PRC on Vessel Safety Operation and Prevention of Pollution". To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the year.

## Key Environmental Tasks Completed in 2018

| |
|---|
| **Improved environmental management system** |
| **Consolidated the basic management on environmental protection** |
| **Promoted water pollution prevention and control** |
| **Strengthened air pollution prevention and control** |
| **Properly dealt with weather with heavy pollution** |
| **Strengthened comprehensive environmental remediation in port area** |
| **Promoted the construction of a green port** |
| **Marketed the use of low-sulphur fuel by vessels** |
| **Promoted shore-based power supply to vessels** |

## Resources Conservation

To meet the national requirements on resource efficiency, the Group strives to reduce our resource consumption by implementing a sound management system and various resources conservation measures.

### Energy Management

In accordance with the national requirements on energy-saving, the Group has formulated energy-saving management rules on key energy-consuming units to establish a closed-loop energy measurement and management system. During the year, the Group revised our energy management system to better implement energy-related policies and standards and established a long-term energy management mechanism. In addition, the Group's subsidiaries and affiliates installed online monitoring of energy consumption and dynamic energy management network systems with a coverage rate of 50%. Six of the Group's subsidiaries and affiliates received the ISO50001 energy management system certifications.

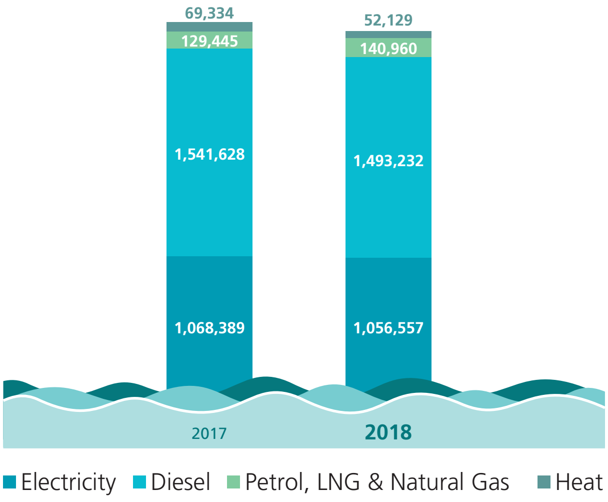
In 2018, the China Classification Society Certification Company conducted on-site audits of the energy management system of the Group and 10 of our subsidiaries. Meanwhile, we conducted energy audits on key energy-consuming units in accordance with national requirements to determine the Group's energy consumption status. The performance of the energy management system is continuously improved through conducting internal audits, implementing energy management programmes and applying energy-saving technology.

### Energy Consumption

The major types of energy consumed by the Group throughout our business operations include electricity, diesel, petrol, LNG, natural gas and heat, of which electricity and diesel account for above 90% of our total energy consumption. Handling equipment such as lighting for portal cranes, quay cranes, yard cranes etc., port tugboats and freight vehicles were the largest energy consumers. In 2018, the Group's total energy consumption was 2,742,878 GJ, with energy consumption intensity of 0.17 GJ per thousand HKD revenue. The total energy consumption decreased by 2.3% as compared with 2017.

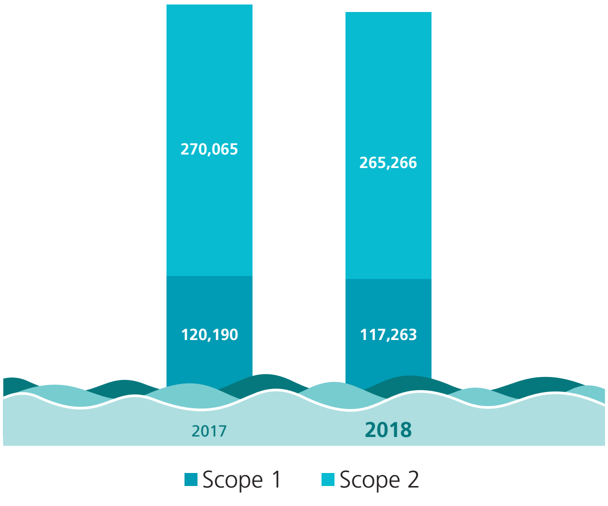
The Group's business operations do not involve use of packaging materials.

Total Energy Consumption (GJ)




The Group's greenhouse gases (GHG) emissions include direct emissions (Scope 1) from fuel used, as well as indirect emissions (Scope 2) from purchased electricity and heat consumption. In 2018, our total GHG emissions amounted to 382,529 tonnes of carbon dioxide equivalent ($tCO_2e$). The emission intensity was 0.02 $tCO_2e$ per thousand HKD revenue. The total GHG emissions decreased by 2.0% as compared with 2017.

Total Amount of GHG Emission ($tCO_2e$)



## Construction of Intelligent Port

The Group endorsed the construction of the "Intelligent Port" in Tianjin Port. We started to improve operational efficiency and customer satisfaction via using intelligent equipment in the port and functionalization of operational management. In 2018, the Group completed the integration of operation system of our 6 container terminals. We became the first coastal port operator in China to achieve integrated management of the whole container terminal operation process.

CASE STUDY 1

### Automated Container Terminal

To improve the capacity of container terminals in case of limited space, labour resources and equipment, the Group launched the automated terminal project in 2012. After in-depth research, the "rail shuttle car" project was executed.

**Results Achieved**

**Energy conservation**

- Saved 600 tonnes of coal equivalent (TCE) of energy

**Patents application**

- Applied for 5 patents which includes 4 invention patents and 1 international invention patent

**Human resources reduction**

- Reduced human resources by 71% per year compared to traditional terminals

**Cost reduction**

- Reduced operating costs by 36% per year compared to traditional terminals

CASE STUDY 2

### Intelligent Electric Container Tractor

In 2018, we completed a container handling process using the intelligent electric container tractors. Currently, the Group is in an advanced stage in research, development and application of intelligent electric container tractor. This project uses unmanned and electrical techniques to reduce operating costs and improve stability while achieving zero emissions.

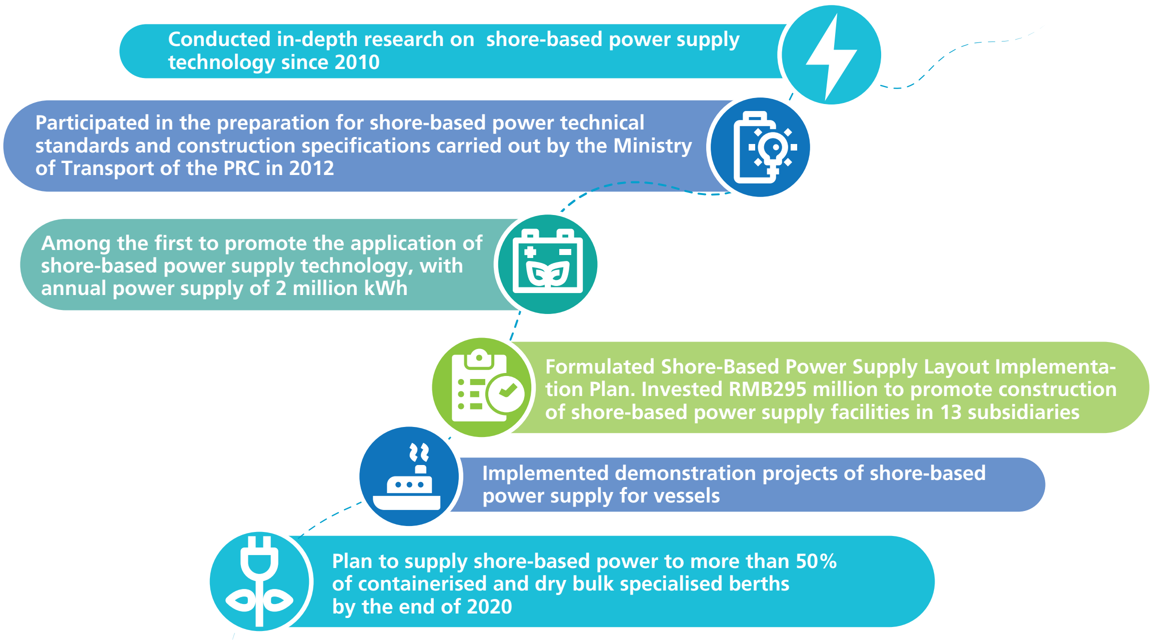
CASE STUDY 3

### Green and Intelligent Dry Bulk Logistics Chain Demonstration Project

In 2018, Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd. invested in a green and intelligent dry bulk cargo logistics chain demonstration project. When the project is completed, the mobile machinery and equipment to be used for the cleaning of the work site can be reduced by more than 30% and energy consumption is likely to be reduced by 187 TCE.

### Energy-saving Initiatives

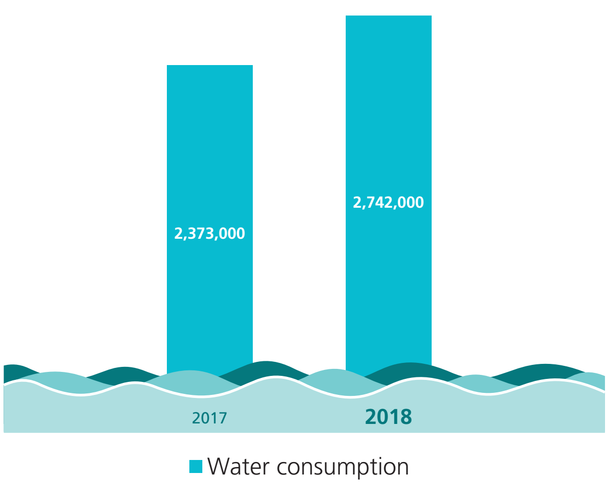
In 2018, the Group focused on constructing facilities for shore-based power supply to vessels and green lighting to reduce energy consumption. During the year, the Group attached great importance to the technological development of shore-based power supply for vessels and has been actively conducting relevant promotional work in response to requirements of the Ministry of Transport of China. In terms of green lighting, the proportion of green lighting applications in subsidiaries and affiliates increased significantly, and the LED procurement for terminals and on-site lighting was 100% during the year. The graph below shows how we contributed to the construction of shore-based power supply to vessels.




### Energy Conservation Publicity

In 2018, the Group organised the National Energy Conservation Publicity Week, the National Low Carbon Day, as well as the Energy Conservation Measurement Knowledge Competition according to the requirements of the Ministry of Transport of China. These campaigns aimed to educate people on energy-saving, low carbon emission and green development, and to increase employee awareness on climate change to enhance a sense of responsibility for transforming Tianjin Port into a green port.

**Total Water Consumption (tonne)**




### Water Consumption

The Group's major consumption of water occurs in business operations, daily living, greening and firefighting. In 2018, the Group's total water consumption and water consumption intensity were 2,742,000 tonnes and 0.17 tonnes per thousand HKD revenue respectively. The total water consumption increased by 15.5% as compared with 2017. There was no issue in sourcing water that is fit for the purpose.

### Water Conservation

The Group has implemented a water saving management approach in line with the principle of "total amount control, strengthened management, scientific utilisation and energy conservation". Subsidiaries and affiliates are required to conduct water testing in accordance with GB/T12452-90 "The General Principles of Water Consumption Balance and Testing in Enterprises". By testing the water supply pipelines network, we formulate the optimal water consumption level and take appropriate measures to strengthen water supply management. In 2018, we launched an intelligent water service platform to improve the water supply management level.

### Major Water-saving Measures


During the year, the Water Saving Office of Tianjin Municipality reviewed the water-saving work conducted by our subsidiaries and affiliates and suggested some water conservation methods. Most of the units operating in Nanjiang port area have installed GSM/GPRS remote water meter data collection and monitoring system, which greatly improves the efficiency and accuracy of data collection.

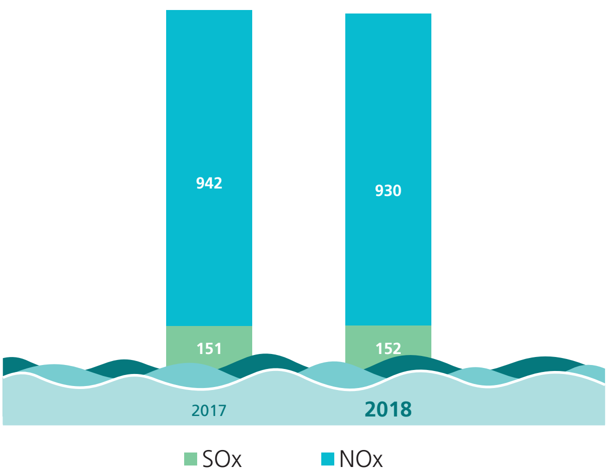
## Emission Management

The Group is committed to constructing a low-emission green port and has implemented mechanisms for prevention and control of air pollutants, sewage, solid waste and oil spillage.

### Air Emissions

The Group's operations involve emission of sulphur oxides (SOx) and nitrogen oxides (NOx) generated by fuel consumption of vessels, vehicles and handling equipment. During the year, the Group's SOx and NOx emissions were 152 and 930 tonnes respectively. In 2017, these emissions were 151 and 942 tonnes respectively.

**Total Amount of Air Pollutant Emission (tonnes)**




### Air Emissions Management

The Group has implemented air pollution prevention and control regulations to improve air quality of the port area. Dust from bulk cargo handling and infrastructure construction, flue gas from illegal incineration and emissions from coal-fired boilers have been controlled by strictly implementing the respective regulations. The following are the effective dust control measures adopted in accordance with the regulations:

- Supervise all units to strictly implement the requirements of "Six Musts"[1] during bulk cargo handling, transportation and storage
- Require all units to implement paving and greening of exposed ground to reduce ground dust
- Reinforce the daily repair and maintenance of roads and bridges
- Proactively cooperate with government departments on the detection of exhaust gas emission from handling equipment; passing rate of detection achieved is 100%

1 "Six Musts", 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 1

## Oil-to-Electricity Conversion in Yard Cranes

In 2018, Tianjin Port Pacific International Container Terminal Co., Ltd. invested RMB20 million to implement oil-to-electricity conversion projects. The results achieved were:

**Energy Conservation**

- 1.1 liters of diesel saved per TEU

**Emission Reduction**

- 1.46 kg of $SO_2$ reduced per TEU
- Eliminated noise from diesel generators

CASE STUDY 2

## Promotion and Implementation of Low-Sulphur Fuel for Port Vessels

While ensuring that all port vessels use marine light diesel with sulphur content less than 0.5%, the relevant business department continued to promote and implement the application of low-sulphur fuel.

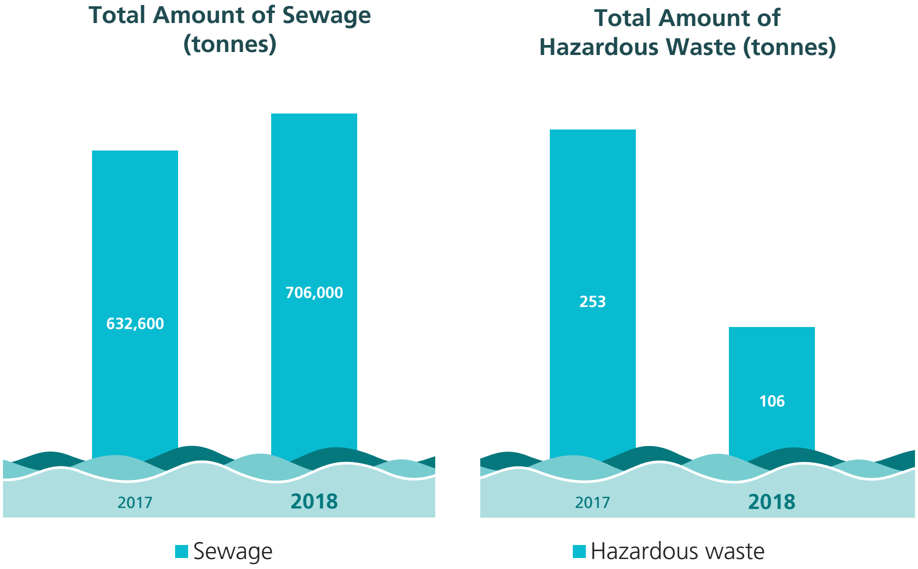
CASE STUDY 3

## Air Pollutant Prevention and Treatment

Shenhua Tianjin Coal Terminal Co., Ltd. generates coal dust in its business operations. The company sprinkled water for dust removal in all aspects of coal transportation, and adopted windproof nets, cover, spray and other dust suppression measures at the yard to effectively reduce the impact on the surrounding environment. The level of atmospheric particulate matter in the company's quarterly environmental monitoring report met the stipulated criteria.

**Sewage & Waste Discharge**

Sewage is generated from office activities, canteens, container washing operations, bulk cargo operations and vessels. In 2018, the total sewage generated by the Group was 706,000 tonnes, 72% of which was discharged into municipal sewage treatment plant and the rest was either reused or entered municipal pipe network after being treated by our sewage treatment facilities.




Major hazardous wastes generated by the Group's operations include waste-oil-immersed cotton and yarn, lamps, computers, ink cartridges and batteries. In 2018, the Group discharged 106 tonnes of hazardous waste, all of which was processed and disposed of by accredited third-party institutions. For non-hazardous waste, the Group's operations generated 1,528 tonnes of scrap wire ropes, 14 tonnes of waste cables and 1,574 waste tires.

| Non-hazardous Waste | Unit | 2017 | 2018 |
|---|---|---|---|
| Scrap wire rope | Tonnes | 1,763 | **1,528** |
| Waste cable | Tonnes | 9 | **14** |
| Waste tire | Pieces | 3,161 | **1,574** |

## Sewage Management

Water pollution prevention and control regulations are implemented to ensure normal operation of existing sewage treatment facilities and to prevent new water contamination by the port's infrastructure projects. During the year, the Group's subsidiaries and affiliates owned 16 sets of sewage treatment facilities with a total handling capacity of about 2,176 tonnes of waste water per day. The treated sewage is reused for greening irrigation and spraying on dust. In 2018, the sewage treatment costs were RMB5.5 million.

In 2018, the Group actively promoted water pollution prevention and control initiatives and completed inspections required under the "Marine Environment Protection Law of the PRC". All subsidiaries and affiliates implemented a list of corrective measures required by the government, which were to:

- Further standardize the management of marine pollution prevention
- Improve the management of rainwater pipe network and estuary
- Thoroughly investigate rainwater and sewage treatment system of subsidiaries and affiliates
- Reinforce the supervision and inspection of pollutants from vessels

CASE STUDY

### Upgrade Wastewater Treatment Automatic Control System

During the year, Tianjin Port Alliance International Container Terminal Co., Ltd. upgraded its sewage treatment automatic control system to improve the level of sewage treatment work and avoid the safety hazards caused by the old system.

## Solid Waste Management

The Group revised our solid waste prevention and control regulations during the year, stipulating procedures of collection, transportation and disposal of solid wastes in accordance with national requirements. The management department is responsible for supervising each unit's implementation of solid waste management measures and to provide technical guidance. In 2018, we endorsed the construction of domestic waste treatment facilities in the port area. The management approach for hazardous and non-hazardous waste is shown in the table below:

| Hazardous Waste | Non-hazardous Waste |
|---|---|
| • Set up hazardous waste storage sites and regulate labelling<br>• Sign contracts for hazardous waste treatment and ensure handling is conducted by qualified units<br>• Apply for hazardous waste disposal locators | • Ensure that construction waste is used for land reclamation<br>• Ensure that operation waste is treated by waste treatment plants |

## 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.

Recognising the potential risk of oil spillage, the Group has established a safety management system which strictly regulates navigation safety of bunkering vessels and bunkering procedures to prevent oil spillage. The system is established in accordance with the "Regulations of the PRC on Vessel Safety Operation and Prevention of Pollution" and reviewed by the Maritime Safety Administration of Tianjin Municipality annually. During the year, the Group was not aware of any need for reporting oil spillage or leakage incidents to the government.

In addition, the Group implemented an emergency plan on oil spillage and held drills on a regular basis. In 2018, the Group's subsidiaries and affiliates regularly held annual joint drills, comprehensive emergency drills and oil spillage emergency drills.

CASE STUDY

### Tianjin Port Marine Oil Spillage Emergency Drill

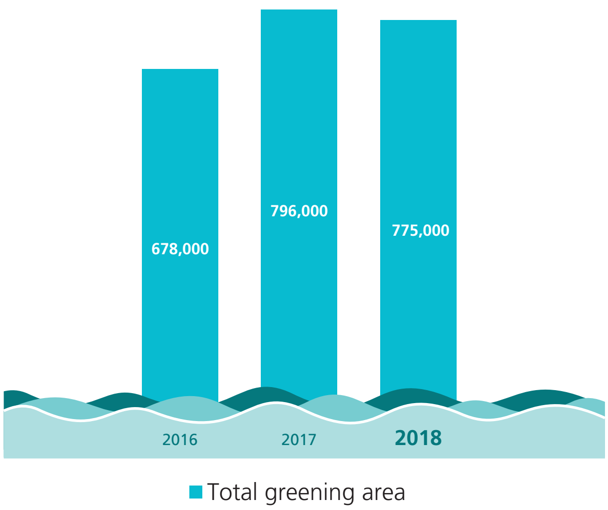
On 18 November, 2018, the Group participated in an oil spillage emergency drill to simulate an oil spillage accident on a vessel sailing at a passenger terminal. It was immediately reported to relevant departments in the port, to which they conducted a joint emergency response. Tianjin Port Tugboat Lighter Co., Ltd. dispatched the tugboat to conduct on-site monitoring and assist in oil spillage removal. The participants of tugboat paid close attention to the instructions and operated the vessel accurately. Consequently, the oil spill was effectively controlled and removed.

## Green Port and Greening Project

The Group actively promotes the construction of green port. During the year, our subsidiaries and affiliates conducted key projects for green ports construction and implemented the 2018 work objectives.

As part of the construction of green port, the Group undertook major greening projects as scheduled. In 2018, the Group had a total greening area of 775,000 m² and invested RMB7.6 million for afforestation.

**Total Greening Area (m²)**




CASE STUDY

### Port Area Greening

In 2018, Shenhua Tianjin Coal Terminal Co., Ltd. had a greening area of 59,000 m². During the year, the company formulated quality standards for greening and maintenance management, clarified responsibilities, and reinforced daily inspections to improve the management of greening and maintenance.

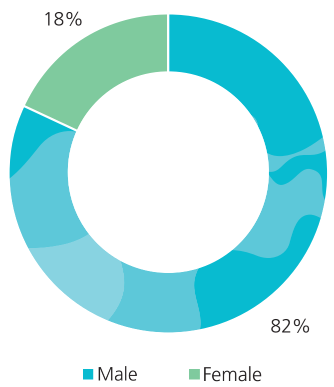
# OUR EMPLOYEES

Talent management is critical to the Group's competitive strength. To acquire and retain talent, the Group strictly complies with all the relevant labour laws and regulations in Hong Kong and the PRC to safeguard labour rights and provide employees with a safe, fair and diverse workplace.

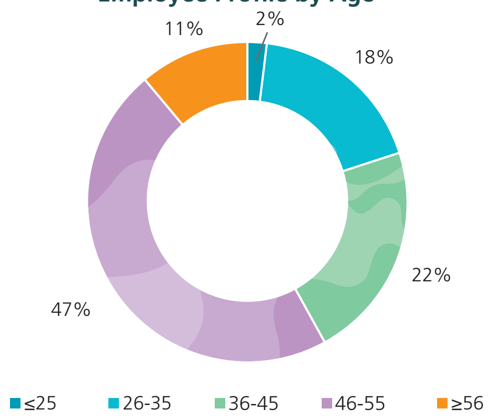
## Employee Composition

The Group implements a systematic and flexible human resources policy to cope with business challenges. As at the end of 2018, the Group had approximately 8,300 employees, around 47% of whom were aged between 46 and 55. The ratio of male to female employees was 82:18. In 2018, the employee turnover rate was about 9%, mainly due to employee retirement.

**Employee Profile by Gender**




**Employee Profile by Age**




## Employees' Rights and Welfare

We respect our employees' rights and provide a workplace that is equal to all and free from all kinds of discrimination. The Group strictly abides by relevant labour laws and regulations, including the "Labour Law of the PRC", "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.

To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination and other benefits and welfare during the year.

### Comprehensive Benefits Plan

The Group provides an attractive remuneration packages and welfare benefits to our employees, including salary, rest days, leave benefits and annuity scheme, based on internal staff's paid leave implementation measures and compensation management measures. The human resources department is responsible for implementing and continually reviewing the internal policies, keeping our remuneration packages competitive to attract and retain suitable personnel.

To ensure that all employees receive due and fair rewards, the Group deploys an employee reward and penalty management approach, under which employees are rewarded based on their work performance and experience.

### Diversity and Gender Equality

The Group strives to provide a diverse and fair working environment to our employees. Employees are required to abide by the employee code of conduct and the Group does not tolerate any form of discrimination on any grounds of race, gender, age or religion.

To protect the rights of our female employees, the Group strictly complies with the "Law of the PRC on the Protection of Rights and Interests of Women" and has enforced internal policies such as work management regulations for female employees regarding family planning. We ensure equal pay and promotion opportunities for male and female employees as stipulated in the employee collective contract.

In 2018, the labour union of the Group conducted a self-inspection to ascertain enforcement of sufficient labour protection for female employees, and compiled a legal manual on labour rights protection for female staff. During the year, we promoted legal protection for female employees and provided appropriate health assistance.

To protect the employment of disabled employees in the city, we comply with the "Measures for the Administration of Employment of Disabled Persons in Tianjin Municipality" and pay employment security for the disabled accordingly.

**Welfare for our Female Employees**

- Regular physical examinations
- Mater nity insurance coverage
- Equal pay for men and women
- Equal promotion opportunities

### Recruitment

The Group has clear guidelines for our recruitment process. Complying with internal regulations such as implementation measures for talent recruitment management and recruitment plan for management positions, the Group recruits employees from the open market and ensures equal employment opportunities.

Committed to protecting human rights and labour rights, we strive to eliminate all forms of child labour or forced labour through compliance with laws and regulations such as the "Provisions on the Prohibition of Using Child Labour", "Law of the PRC on the Protection of Minors", and "Employment of Children Regulations". The Group pays extra attention during the recruitment process to ensure that no underage person is recruited. To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to prevention of any child or forced labour during the year.

## Employee Relations

The Group's business growth is driven by our dedicated staff. We have been maintaining a harmonious relationship with our employees through various communication channels and activities. The Group listens to our employees' concerns through employee forums and surveys, and guarantees their right to lodge complaints. We have established an effective grievance handling mechanism that allows employees to communicate with management through the office system or directly via phone. In 2018, the labour union of the Group conducted labour dispute mediation training and provided legal aid and assistance to employees in policy support.

We are committed to improving the quality of life of employees and have been providing financial assistance to employees with financial difficulties and families of migrant workers. During the year, the Group revised our management approach to help the poor by expanding the aid criterion and ratio. The Group also cares for the children of our employees; we continue to offer academic aid programmes to their children, provide study allowances and online and offline learning assistance.

**2018 Employees Activities**

In the seventh "Dream in Tianjin Port" summer camp, 100 outstanding migrant workers' families were invited to visit the port and some well-known enterprises. Here, they were able to experience different social roles in order to broaden their children's' horizons.

## Training and Development

The Group is committed to ensuring that every employee has access to appropriate training and development opportunities. To this end, the Group has introduced Staff Training Management Rules and Technical Staff Professional Skills Training Appraisal Rules, which are implemented and monitored by the human resources department. The Group regularly conducts employee performance appraisals to recognise and reward outstanding employees while identifying training needs. After the human resources department has assessed the training needs of each department, the staff training centre is responsible for arranging appropriate training sessions for employees.

During the year, we strengthened training in all aspects, including work performance, young talents, market development, "One Belt One Road" professionals, safety education, corporate strategic management, vocational skills and legal policies, to enhance the Group's overall level of competence. In 2018, the Group's total number of trained employees reached 10,883 person-times.

**2018 Training Highlights**

**Tianjin**

- Regarding training for young talents, the Group organised four sessions of skill-enhancing training courses for potential successors and young core members during the year. The training was provided for young talents in departmental management position, covering corporate legal risk and prevention, financial management and enhancement of leadership and learning skills.
- Training sessions were dedicated to market development capabilities, including port business development, port supply chain management, container transportation practices, and knowledge about port customs clearance. Through training, we aimed to increase the market awareness of marketing staff and thus improve their professional competence.
- To actively participate in the "One Belt One Road" project, we teamed up with Tianjin Foreign Studies University to design an intensive English training program. We held intensive English language training courses covering business-level English and international business laws, in order to strengthen the Group's international talent training.

**Hong Kong**

- The Group conducted training for the Board to discuss the latest amendments to the Listing Rules, updated issues in capital markets and financial reporting standards during the year, in the aim of promoting the Group's sustainable development.

## Health and Safety

Occupational health and safety (OHS) is our top priority. The Group strives to provide a safe and healthy working environment for our employees, ensuring that they are not under any kind of safety threat in our business operations. Safety management in the working environment is maintained to prevent accidents that could cause casualties to people.

Our operations strictly abide by the relevant national and local laws and regulations, including but not limited to the "Production Safety Law of the PRC", "Law of the PRC on the Prevention and Control of Occupational Diseases", "Regulations of Tianjin Municipality on Production Safety" and the "Occupational Safety and Health Ordinance" in Hong Kong. During the year, there was no reported case regarding work-related fatalities or serious work incidents. To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees to prevent, control and eliminate occupational diseases during the year.

### Safety Management

A sound safety management system is important for preventing safety risks. The Group has formulated internal policies and management systems to ensure operation safety.

In 2018, the Group invested more than RMB130 million in safety management, including the improvement of the handling system, wind protection for large-scale machinery, fire safety, employee safety training and emergency management. We optimised our safety operation responsibility system by expanding the safety operation management team and commissioning third-party consultants to review our management system. 21 subsidiaries and affiliates of the Group have their OHS management systems certified with GB/T28001.

**OHS Policies**

- Safety operation management approach
- Management approach for major hazards
- Enterprise standard for safety operation risk pre-control management system

CASE STUDY

### Improve Safety Management Mechanism

Tianjin Port Logistics Development Co., Ltd. has further improved its safety management mechanism and has conducted more than 2,000 potential hazard investigations during the year. 76 identified potential hazards have been rectified and a "red, yellow and blue" hazard classification management approach has been implemented.

## Safety Training

To protect employees from safety hazards, our employees are required to attend safety related education and training throughout different work stages. The Group formulated safety operation education and training management regulations to govern safety training.

CASE STUDY

### Safe Operation Training

In 2018, Tianjin Port Tugboat Lighter Co., Ltd. conducted 57 training sessions with participation of 611 person-times, which included multiple safety training sessions:

- In 2018, the company provided training to captains and drivers on operating procedures and international collision avoidance rules based on the safety operation procedures. The chief captain explained in detail the accidents that can be avoided in tugboat operations and the relevant regulations. The safety awareness of our employees was improved to achieve safe operation.

- The chief captain provided training to new crew based on system documents and vessel operation manuals, including vessel safety, equipment safety and personal safety. Overseen by the safety supervision department, crew members must pass the post-training assessment prior to promotion, ensuring that they are familiar with knowledge of operational safety.

- We provided a three-level education training for newly recruited graduates, which included safety regulations, work injury treatment, occupational health, fire safety, etc., to lay a foundation for safe operation.

## Safe Production Month

The Group attaches great importance to the national safe production month as one of our major events of the year. The theme of the year was "Life Supremacy and Safe Development".

In 2018, we launched various forms of safety activities, including operational safety, fire extinguishing and escape, emergency evacuation, leakage of hazardous chemicals, environmental pollution and large-scale mechanical wind protection. We further inspected the ability of each unit to respond to emergencies. In addition, each unit enhanced the safety operation quality of personnel at all levels by conducting tailored safety education, safety inspections, lectures, knowledge contests and forums.

## Occupational Disease Prevention

To protect employees from safety hazards and prevent occupational diseases, the Group has developed a management manual on personal protective equipment, to ensure that the protective equipment meet the standards and are used correctly by the employees. We also conduct regular workplace inspections and arrange physical examinations for our employees to identify and eliminate any occupational hazards early.

Pneumoconiosis is the main occupational disease occurring in operations of the port area. In 2018, we recorded two cases of pneumoconiosis. In light of this, we stepped up measures for preventing occupational diseases during the year, including reinforcing our occupational health management and workplace environmental management and monitoring. Besides, we also bolstered the labour protection and health monitoring of employees at work. For employees who have existing occupational diseases, we assist in their treatment and rehabilitation with follow-up measures.

The Group has made significant progress in raising the awareness of occupational disease prevention among employees during the year. In August 2018, we invited speakers from the Center for Disease Control and Prevention in Tanggu District, Tianjin, to provide training on disease prevention and control to more than 200 cabin crew members.

## Emergency Preparedness

During the year, the Group continued to strengthen our emergency management. We worked with a third-party consulting agency to revise the emergency plan for operation accidents and to prevent damage caused by fire or other emergencies.

The Group emphasises safety risk investigation and management of the working environment. During the year, four inspection teams comprising safety operation managers and experts were established to inspect the safety operation systems, on-site and fire safety control measures, and special management work arrangement of 409 warehouses and yards of the Group's subsidiaries and affiliates.

The Group also performed inspections on employees' operational behaviours, and the condition of equipment and facilities to ensure operational safety of the working environment. Meanwhile, we conducted seasonal inspections to address safety requirements for each season. Irregular and ad-hoc inspections were also conducted to monitor the safety performance of different projects.

CASE STUDY

### Emergency Drills

In 2018, CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd. held a drill on the emergency plan for addressing accidents including pipeline leakage handling and tank fire extinguishing exercises. More than 40 firefighters, 9 fire trucks, 1 ambulance and over 200 employees participated in the drill.

Tianjin Port Pacific International Container Terminal Co., Ltd. organised various emergency drills 9 times, including drills for firefighting skills of all employees, dangerous cargoes leakage and on-site heatstroke with a total participation of 1,046 person-times.

Tianjin Port Logistics Development Co., Ltd. has carried out more than 26 emergency drills, including various types of exercises such as firefighting at vehicles yards, mobile machinery fire extinguishing and tide prevention.

## OPERATING EXCELLENCE

By sourcing from quality suppliers and improving product management systems, the Group provides customers with professional and reliable services to satisfy their needs.

### Product and Service Responsibility

We are committed to providing customers with professional and reliable services and strictly adhere to requirements of national laws and regulations, such as the "Law of the PRC on the Protection of Consumer Rights and Interests" throughout our operations. We believe that protecting customer data is the key to a trusting relationship between the Group and our customers. Therefore, we recognise our responsibility to protect their privacy in the contracts. To guarantee product and service quality, 24 subsidiaries and affiliates of the Group have been certified with the GB/T19001 Quality Management System during the year. To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to health and safety and privacy matters relating to products and services provided during the year. In addition, our business does not involve advertising and product labelling activities.

In respect of fuel supply services, the Group strictly complies with the laws, regulations and standards listed on the "Marine Fuel Oils" (GB/T17411) and "Petroleum Products - Fuels (Class F) - Specifications for Marine Fuels" (ISO8217). We manage our daily operations with the quality, occupational health and safety and environmental management systems. The responsible departments conduct two sampling tests of the fuel oils for viscosity and sulphur concentration at the depot before and after storage. We provide only qualified products to customers, and any unqualified fuels will be sent back to the suppliers.

During the year, we actively promoted integration of the container terminal operations system. Through intelligent operations and management, we improve the efficiency of port operations and services and lays a solid foundation for the Group's sustainable development.

### Customer Satisfaction

The Group believes that regular communication with customers is essential for customer satisfaction. Therefore, the sales department conducts customer satisfaction surveys to understand and follow up customers' opinions.

In terms of customer complaints, we have formulated a customer service centre management policy for regulating the procedure of handling customer complaints. The customer service centre conveys customer problems to the responsible departments and replies to the customers promptly. If the involved parties cannot respond to the customers within an assigned period, the centre will forward the complaints to the department heads for further handling.

During the year, in response to complaints about port container cargo damage incidents, we conducted more frequent inspections at ports and asked the responsible teams to strictly monitor the daily operations. The quality of service was subsequently enhanced and the number of complaints was reduced.

## Supply Chain Management

The Group is dedicated to collaborating with quality suppliers to build mutually beneficial long-term relationships and deliver professional and reliable products to customers. There are three categories of the Group's supply chains, namely, sales business, labour recruitment and fuel, water and electricity procurement. We are aware of the environmental and social impacts that may arise along the supply chain. Thus, we have imposed different selection criteria based on suppliers' business nature. Regular monitoring and evaluation are carried out to assess their performance.

| | Sales Business | Fuel, Water and Electricity Procurement | Labour Recruitment |
|---|---|---|---|
| **Products/ Services Provided** | ⚓ Fuels | ⚓ Port operation, construction materials | ⚓ Outsourced labour |
| **Selection Criteria** | ⚓ Product quality<br>⚓ Safety<br>⚓ Environmental protection<br>⚓ Social responsibility<br>⚓ Business ethics | | ⚓ Compliant operations to protect employees' rights and interests |
| **Supplier Assessment** | ⚓ Daily performance evaluation by the procurement team<br>⚓ Formulate the qualified suppliers' database for the coming year based on the annual review results | ⚓ Hold special meetings and conduct site visits for further assessment of initially evaluated suppliers<br>⚓ Regular review of customer satisfaction and compliance status by a dedicated evaluation team | ⚓ Conduct self-evaluation and inspections twice a year to ensure compliant operations |

In addition, we collaborate closely with our suppliers to ensure that our requirements are well-understood. We maintain effective communication with suppliers through meetings, materials trading platform, phone calls, online communication and other channels.

**Materials Trading Platform**

- The product and materials procurement model became more standardized, transparent, centralized and information-based
- Reduced procurement cost and secured safety of port operations
- Increased number of registered customers and trading volume in 2018

## Business Ethics

As part of our commitment to conduct business fairly, honestly and lawfully, we adopt zero tolerance towards corruption.

In Mainland China, our employees' behaviours are subject to the employee code of conduct and the employee reward and penalty system which are formulated in accordance with the "Criminal Law of the PRC" and "Anti-Unfair Competition Law of the PRC". Transfers of benefits are strictly prohibited. In Hong Kong, we have implemented management regulations for employees and Directors to prevent company members from engaging in corruption and bribery. We strictly comply with the "Prevention of Bribery Ordinance" and "Competition Ordinance". Directors and employees must avoid conflicts of interest. In case of conflict of interest, it must be declared in a written report.

**Anti-Fraud and Anti-Corruption Measures**

- Continuously expand the coverage of discipline supervision, especially at management level
- Promote the use of **Regulation + Technology** to strengthen the Group's integrity risks management and prevention
- Comprehensively strengthen discipline education, including building a culture of integrity

To the best of our knowledge, the Group did not contravene relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the year.

### Anti-Corruption Policies

In 2018, we revised the employee reward and penalty management rules which stipulates the penalties for employees violating workplace integrity practices. If employees engage in corruption, misappropriation of public funds, solicitation and acceptance of bribes, kickbacks, commission fees or frauds in the course of their official duties, the Group will impose penalties based on the case, which include recording, demotion or termination of employment contracts. The reporting and handling procedure of suspicious cases is handled by the discipline inspection and supervision department.

### Whistleblowing Channels

The Group encourages whistleblowing and has established multiple whistleblowing channels. Anyone, both internal and external to the Group, can report suspicious cases through letters, visits or our dedicated reporting hotline. In Hong Kong, our whistleblowing policy is stipulated in the employment management regulations. Directors and employees are expected to report any suspicious cases of misconduct to the relevant parties in accordance with the reporting procedures.

### Developing an Integrity Culture

In 2018, the Group actively organised education activities to raise employees' awareness on integrity.

- Participated in the construction of integrity culture promotion front
- Actively participated in call for essays with theme of promoting a culture of honesty
- Added a new column in the Group's publication and online platform, with a total of 74 issues on integrity education materials published
- Compiled case study materials of "Sword Hanging, Bell Beeping" for discipline education

## Community Care

The Group actively invests resources in volunteer activity to give back to the community. During the year, we had a total of 377 volunteers and held 27 volunteer activities, including environmental volunteerism and youth U-18 beach volleyball competitions.

CASE STUDY 1

### Tianjin Port Tugboat Lighter Co., Ltd.

Tianjin Port Tugboat Lighter Co., Ltd. has set up a "Xianchuang Caring Team" and established relevant management systems to encourage and promote employee participation in community activities. The "Xianchuang Caring Team" held three themed volunteer service activities and several small activities during the year, which include visiting the second stadium in TEDA and participating in large-scale community activities "Do 1% a day - respect differences and lighting hopes"; visiting Xiangyu Autism Support Centre to study and play with children, provide them with daily necessities and explain the early performance and related knowledge of children with autism by teachers in rehabilitation center.

CASE STUDY 2

### Shenhua Tianjin Coal Terminal Co., Ltd.

Shenhua Tianjin Coal Terminal Co., Ltd. provided volunteering service for Binhai New Area Library through book management, arrangement and tourist guide service.

# PERFORMANCE DATA SUMMARY

| | | Unit | 2017 | 2018 |
|---|---|---|---|---|
| Workforce Demographics | **Total Headcount** | | 8,990 | **8,352** |
| | **By Age** | | | |
| | ≤25 | | 144 | **140** |
| | 26-35 | | 1,616 | **1,514** |
| | 36-45 | | 1,997 | **1,855** |
| | 46-55 | | 4,205 | **3,945** |
| | ≥56 | | 1,028 | **898** |
| | **By Gender** | | | |
| | Male | | 7,407 | **6,877** |
| | Female | | 1,583 | **1,475** |
| | **Employee Turnover Rate** | | – | **9%** |
| | Resignation | | 3% | **5%** |
| | Dismissal | | 1% | **1%** |
| | Retirement | | 87% | **73%** |
| | Transfer to non-listed company | | 8% | **12%** |
| | Others | | 1% | **9%** |
| | **Employee Training Total Person-time** | | 6,864 | **10,883** |
| Health and Safety | **Performance of Occupational Health and Safety** | | | |
| | Work-related injuries | | 0 | **0** |
| | Lost days due to work-related injury | | 0 | **0** |
| | Work-related fatalities | | 0 | **0** |
| Environment | **Resources Consumption** | | | |
| | Electricity | kWh | 296,774,650 | **293,487,924** |
| | Diesel | Tonnes | 36,167 | **35,032** |
| | Petrol | Tonnes | 290 | **284** |
| | LNG | Tonnes | 2,085 | **2,293** |
| | Natural gas | $m^3$ | 24,750 | **31,145** |
| | Heat | GJ | 69,334 | **52,129** |
| | Water | Tonnes | 2,373,000 | **2,742,000** |
| | **Emissions** | | | |
| | GHG | | | |
| | Scope 1: direct carbon emission | $tCO_2e$ | 120,190 | **117,263** |
| | Scope 2: indirect carbon emission | $tCO_2e$ | 270,065 | **265,266** |
| | Total | $tCO_2e$ | 390,255 | **382,529** |
| | Air pollutants | | | |
| | Sulphur oxides | Tonnes | 151 | **152** |
| | Nitrogen oxides | Tonnes | 942 | **930** |
| | Sewage | | | |
| | Wastewater discharge | Tonnes | 632,600 | **706,000** |
| | Solid Waste | | | |
| | Hazardous waste | Tonnes | 253 | **106** |
| | Non-hazardous waste | | | |
| | – Scrap wire rope | Tonnes | 1,763 | **1,528** |
| | – Waste cable | Tonnes | 9 | **14** |
| | – Waste tire | Pieces | 3,161 | **1,574** |

## CONTENT INDEX

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

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

| KPIs | Stock Exchange ESG Reporting Guide Requirements | | Section/Remarks |
|---|---|---|---|
| **Aspect B5: Supply Chain Management** | | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | | Operating Excellence-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. | Operating Excellence-Supply Chain Management |
| **Aspect B6: Product Responsibility** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | | Operating Excellence-Product and Service Responsibility |
| | KPI B6.2 | Number of products and services related complaints received and how they are dealt with. | Operating Excellence-Product and Service Responsibility |
| | KPI B6.4 | Description of quality assurance process and recall procedures. | Operating Excellence-Product and Service Responsibility |
| **Aspect B7: Anti-corruption** | | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | | Operating Excellence-Business Ethics |
| | KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Operating Excellence-Business Ethics |
| **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. | | Operating Excellence-Community Care |
| | KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Operating Excellence-Community Care |
| | KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Operating Excellence-Community Care |

# CORPORATE GOVERNANCE

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### CHU Bin

#### Chairman

Aged 51, was appointed as an executive Director and chairman of the board of the Company on 20 December 2018. Mr. Chu holds a master's degree in engineering, with logistics engineering major from Shanghai Jiao Tong University. He is a senior economist. Mr. Chu is the Chairman of Tianjin Port Group. Mr. Chu started his career in August 1990, and has over 25 years of extensive experience in port industry. From May 2003 to October 2018, Mr. Chu had served as the deputy general manager of Beilun Second Container Co., Ltd.* (北侖第二集裝箱有限公司), the deputy head of business department of Ningbo Port Group Co., Ltd.* (寧波港集團有限公司), the general manager and deputy secretary of the party committee of Beilun Second Container Terminal Branch Office* (北侖第二集裝箱碼頭分公司), the assistant to the president of Ningbo Port Co., Ltd.* (寧波港股份有限公司), the deputy general manager of Ningbo Zhoushan Port Co., Ltd.* (寧波舟山港股份有限公司), the deputy general manager of Ningbo Zhoushan Port Group Co., Ltd.* (寧波舟山港集團有限公司), the director of Ningbo Zhoushan Port Co., Ltd.* (寧波舟山港股份有限公司) whose shares are listed on the Shanghai Stock Exchange (stock code: 601018). He also served as the general manager of Ningbo Port International Logistics Co., Ltd.* (寧波港國際物流有限公司) from July 2014 to March 2016.

### LI Quanyong

#### Managing Director, Member of Nomination Committee

Aged 56, 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.

### SUN Bin

#### Deputy General Manager, Member of Remuneration Committee

Aged 41, was appointed as deputy general manager of the Company on 15 December 2017, and was appointed as an executive Director on 22 January 2019. He is also a member of the Remuneration Committee. 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. He holds a senior economist qualification. 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. Mr. Sun has been the director of Tianjin Port Co, a non-wholly owned subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange (stock code: 600717) since April 2016.

## WANG Junzhong

Aged 54, was appointed as an executive Director on 22 January 2019. Mr. Wang holds a postgraduate degree and senior engineer qualification. Mr. Wang joined Tianjin Port Group in August 1985, and had served as the deputy division chief of the technology division, the division chief of the engineering division, the deputy chief engineer, the deputy general manager, and the general manager of Tianjin Port Power Co., Ltd.* (天津港電力公司) from August 1985 to June 2011. Mr. Wang had served as the head of the business department, the deputy chief of the business and investment service centre* (招商投資服務中心) of Tianjin Port Group, the general party branch secretary of Tianjin Port Dongjiang Port Area* (天津港東疆港區黨總支書記), and the general manager of Tianjin Port Dongjiang Development and Construction Co., Ltd.* (天津港東疆開發建設有限公司) from June 2011 to November 2017. Mr. Wang is currently the head of the investment department, the head of corporate development department and the secretary of the board of Tianjin Port Group.

## SHI Jing

Aged 48, 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), a company 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. Ms. Shi was a non-executive director of Binhai Investment Company Limited (Stock Code: 02886), a company whose shares are listed on the Main Board of the Stock Exchange from September 2014 to July 2018.

# INDEPENDENT NON-EXECUTIVE DIRECTORS

## Japhet Sebastian LAW

### Chairman of Remuneration Committee, Member of Audit Committee

Aged 67, 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 61, 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.

### ZHANG Weidong

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

Aged 54, 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 Limited (Stock Code: 01140), a company whose shares are listed on the Main Board of the Stock Exchange. He is also 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

### MA Suqin, Susan

Aged 46, 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. Ms. Ma is also member of Social Enterprises Subcommittee of New Life Psychiatric Rehabilitation Association.

### CHAN Yeuk Kwan, Winnie

Aged 50, 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.

# CORPORATE GOVERNANCE REPORT

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 2018, except for Code Provision E.1.2.

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

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 2018.

## BOARD OF DIRECTORS

### Board Composition

As at 31 December 2018, the Board consists of eight Directors, comprising five executive Directors namely CHU Bin (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.

On 22 January 2019, WANG Rui resigned as an executive Director and member of the remuneration committee of the Company (the "Remuneration Committee") due to job change and SUN Bin was appointed as an executive Director and member of the Remuneration Committee of the Company.

On 22 January 2019, YU Houxin resigned as an executive Director of the Company due to job change and WANG Junzhong was appointed as an executive Director of the Company.

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, Japhet Sebastian LAW, CHENG Chi Pang, Leslie and ZHANG Weidong shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 112 of the Articles of Association, CHU Bin, SUN Bin and WANG Junzhong who were appointed by the Board shall hold office until 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 an extraordinary general meeting in 2018.

The attendance of each Director at the meetings held in 2018 is set out below:

| | Attendance/Number of meetings held during Director's tenure | | |
|---|---|---|---|
| | Board Meeting | Annual General Meeting | Extraordinary General Meeting |
| **Executive Directors** | | | |
| CHU Bin *(Note 1)* | 0/0 | 0/0 | 0/0 |
| ZHANG Ruigang *(Note 2)* | 6/8 | 0/1 | 0/1 |
| LI Quanyong | 8/8 | 1/1 | 1/1 |
| WANG Rui | 8/8 | 1/1 | 0/1 |
| YU Houxin | 8/8 | 0/1 | 0/1 |
| SHI Jing | 8/8 | 0/1 | 0/1 |
| **Independent Non-executive Directors** | | | |
| Japhet Sebastian LAW | 8/8 | 1/1 | 1/1 |
| CHENG Chi Pang, Leslie | 8/8 | 1/1 | 1/1 |
| ZHANG Weidong | 8/8 | 1/1 | 1/1 |

*Notes:*

1. CHU Bin was appointed as an executive Director on 20 December 2018.
2. ZHANG Ruigang resigned as an executive Director on 20 December 2018.

In addition to Board meetings, a meeting of the Chairman and the independent non-executive Directors without the presence of other Directors and the management was held in 2018.

## Appointment, Re-election and Removal of Directors

Changes in Directors during the year are as follows:

- CHU Bin was appointed as an executive Director on 20 December 2018.
- ZHANG Ruigang resigned as an executive Director on 20 December 2018.

Each of the executive Directors entered into a service contract or an appointment letter for a specific term of three years and 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 2018, the Company provided updates to all Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements. Directors, namely, CHU Bin, 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 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 2018 is set out below:

| | Attendance/Number of meetings held | | |
|---|---|---|---|
| | Nomination Committee | Remuneration Committee | Audit Committee *(Note)* |
| **Executive Directors** | | | |
| LI Quanyong | 2/2 | NA | NA |
| WANG Rui | NA | 4/4 | NA |
| **Independent Non-executive Directors** | | | |
| Japhet Sebastian LAW | NA | 4/4 | 4/4 |
| CHENG Chi Pang, Leslie | 2/2 | NA | 4/4 |
| ZHANG Weidong | 2/2 | 4/4 | 4/4 |

*Note:* Representative of the external auditor participated in 2 Audit Committee meetings held in 2018.

Details of the Board Committees, including their members, responsibilities and the work performed during 2018 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.

Terms of reference of the Nomination Committee had been amended in 2018 to reflect the amendments of the CG Code with effect from 1 January 2019 and had been adopted by the Board.

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, reviewing the Board Diversity Policy and the Nomination Policy, as appropriate.

The major work performed by the Nomination Committee during the year ended 31 December 2018 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– appointment of the executive Director.
– 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 2018.

## Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Japhet Sebastian LAW and ZHANG Weidong, and one executive Director, SUN Bin. 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 2018 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– remuneration package for the appointment of the executive Director.
– terms of Directors' service contracts or appointment letters.
– 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 2018 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 2018 is set out below:

| Remuneration band | 2018<br>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 2018 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 2018 included reviewing and, where applicable, approving the following matters:

– the Company's policies and practices on corporate governance including the revised terms of reference of the Nomination Committee, the nomination policy and dividend policy.
– 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 2018, 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$83,000 respectively. The non-audit services were in relation to 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 2018, 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 79 to 82.

## 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 2018, 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 that 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 2018 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 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 5 June 2018 to answer questions from the Shareholders.

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 6 December 2018 to approve the continuing connected transactions. The Company had also invited the independent financial adviser to attend the extraordinary general meeting held on 6 December 2018 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 2018, there was no change to the memorandum and Articles of Association of the Company.

# DIVIDEND POLICY

The Board has approved the adoption of the dividend policy regarding the declaration and payment of dividends by the Company. In circumstances that the Group is profitable and without affecting the normal operation of the Group, the Company may declare and distribute dividends to the Shareholders. In general, the Company intends to declare and distribute dividends once a year and the total amount of annual dividends shall be between 30% and 50% of the profit attributable to Shareholders for the year. The Company may also declare special dividends from time to time in addition to the annual dividends. When considering whether to propose any dividend payout and determining the amount of dividends, the Board shall take into account, among others things, the Group's operations and earnings, development plans, cash flow, financial condition, capital and other reserve requirements, surplus and any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company is also subject to any restrictions set out in the Articles of Association, the laws of the Cayman Islands and any other applicable laws, rules and regulations.

# DIRECTORS' REPORT

The Directors have pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2018.

## 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 2018 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 2018 are set out in the consolidated income statement on page 83.

The Board recommends the payment of a final dividend of HK2.79 cents per share for the year ended 31 December 2018. Subject to the approval of Shareholders 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 6 June 2019.

## 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, 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 2018.

## 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, dust control, energy saving and consumption reduction management 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 16 to 41, which form part of this directors' report.

## Key Relationships with Employees, Customers and Suppliers

### Employees

As at 31 December 2018, the Group had approximately 8,300 employees. The Group offers remuneration packages for employees based on their position, performance and the labour market conditions. Share options 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 16 to 41, 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. By optimising our services and improving the business environment, engaging in activities such as 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 16 to 41, 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 70% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 25%.

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 142.

## 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 2018 are set out in Note 32 to the consolidated financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 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 2018.

## CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 29 June 2016, 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 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.

On 31 May 2018, 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.

On 31 May 2018, 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$700,000,000. 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 31 May 2018, 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$1,200,000,000. 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 2018, the aggregate balance of the loan facilities subject to the above obligations was HK$4,600,000,000.

On 5 June 2018, the Borrower and the Company as guarantor entered into a facility letter with a financial institution as lender for an uncommitted revolving loan facility of up to HK$100,000,000. The loan facility is unsecured, interest bearing and subject to annual review by the lender. Pursuant to the facility letter, the Borrower and the Company undertake that Tianjin Port Group together with its subsidiaries, shall (1) have the single largest shareholding interest in the Company in aggregate, and (2) hold no less than 35% (directly or indirectly) of the shareholding interest in the Company in aggregate. Any breach of the undertaking may result in the relevant financial institution exercising its right to demand repayment.

The above specific performance obligations and undertaking 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 2018 were as follows:

| | Date of grant | Exercise price HK$ | Number of share options | | | | Exercise period |
|---|---|---|---|---|---|---|---|
| | | | As at 01/01/2018 | Exercised | Lapsed | As at 31/12/2018 | |
| **Directors** | | | | | | | |
| ZHANG Ruigang *(Note 1)* | 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 *(Note 2)* | 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 *(Note 3)* | 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 | – | (600,000) | 14,650,000 | |

*Notes:*

1. ZHANG Ruigang resigned as an executive Director on 20 December 2018, whose share options lapsed on 20 January 2019.
2. WANG Rui resigned as an executive Director on 22 January 2019, whose share options lapsed on 22 February 2019.
3. YU Houxin resigned as an executive Director on 22 January 2019, whose share options lapsed on 22 February 2019.

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 2018 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

| | |
|---|---|
| CHU Bin *(Chairman)* | (appointed on 20 December 2018) |
| ZHANG Ruigang *(Chairman)* | (resigned on 20 December 2018) |
| LI Quanyong *(Managing Director)* | |
| SUN Bin | (appointed on 22 January 2019) |
| WANG Junzhong | (appointed on 22 January 2019) |
| WANG Rui | (resigned on 22 January 2019) |
| YU Houxin | (resigned on 22 January 2019) |
| 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 43 to 46.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract or an appointment letter 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 2018, 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 |
|---|---|---|---|---|
| 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) | 150,000 (L) | 0.05% |
| CHENG Chi Pang, Leslie | Beneficial owner | – | 150,000 (L) | 0.00% |
| 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 2018, 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 2018, 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% |
| | Beneficial owner | 35,976 (L) | 0.0% |
| 天津市醫藥集團有限公司 (Tianjin Pharmaceutical Group Co., Ltd.*) ("Tianjin Pharmaceutical") *(Note 4)* | Interest of controlled corporations | 1,303,045,976 (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 | 1,303,045,976 (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 | 1,303,045,976 (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 2018, 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 2018, 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 2018 required to be disclosed in the annual report are as follows:

1. On 6 March 2018, 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 an equipment purchase agreement with 天津港灣電力工程有限公司 (Tianjin Port Electricity Project Co., Ltd.*) ("Tianjin Port Electric") for the purchase and installation of the equipment for electricity supply and distribution and illumination system for the construction project of general bulk cargo terminal of Yuanhang International located at Nanjiang Port Area of the port of Tianjin. The consideration was approximately RMB17.91 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment.

   Tianjin Port Electric 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 6 March 2018.

2. On 6 June 2018, 天津港中煤華能煤碼頭有限公司 (Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.*) ("Tianjin Port China Coal"), a subsidiary of the Group, entered into an equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB7.42 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 6 June 2018.

3. On 1 August 2018, 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 a 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") relating to the provision of supervisory services for the construction project (the "Project") of automobile ro-ro terminal located at Beigangchi of the port of Tianjin by Tianjin Port Project Consulting. The consideration was approximately RMB6.00 million and payable by instalments in accordance with the progress of construction works of the Project.

   Tianjin Port Project Consulting 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 1 August 2018.

4. On 1 August 2018, 天津港集裝箱碼頭有限公司 (Tianjin Port Container Terminal Co., Ltd.*) ("Tianjin Port Container"), a subsidiary of the Group, entered into an equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB17.58 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 1 August 2018.

5. On 30 August 2018, 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 equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB6.20 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 30 August 2018.

6. On 12 October 2018, 天津港第一港埠有限公司 (Tianjin Port No. 1 Stevedoring Co., Ltd.*) ("First Company"), a subsidiary of the Group, entered into an equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB5.94 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 12 October 2018.

7. On 12 October 2018, 天津東方海陸集裝箱碼頭有限公司 (Tianjin Orient Container Terminals Co., Ltd.*) ("Tianjin Orient"), a subsidiary of the Group, entered into an equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB9.71 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 12 October 2018.

8. On 12 October 2018, 天津港環球滾裝碼頭有限公司 (TPG Global RO-RO Terminal Co., Ltd.*) ("TPG Global Ro-Ro"), a subsidiary of the Group, entered into an equipment purchase agreement with Tianjin Port Electric for the purchase and installation of the equipment for onshore power supply system for vessels. The consideration was approximately RMB6.10 million and payable by instalments in accordance with the progress of the delivery and installation of the equipment for onshore power supply system for vessels.

   Tianjin Port Electric 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 12 October 2018.

## 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 69 to 76 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 2018 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 and assets lease framework agreement | 179,500 | 137,820 | 162,831 |
| Integrated services framework agreement | 1,522,000 | 1,160,588 | 1,371,206 |
| Sales framework agreement | 132,000 | 64,411 | 76,100 |
| Freight yard, warehousing and assets lease framework agreement | 11,000 | 3,369 | 3,980 |
| Cargo reconfiguration, storage and logistics services framework agreement | 99,000 | 78,348 | 92,567 |
| Labour framework agreement | 22,000 | 7,758 | 9,167 |
| 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 | 3,196,431 | 3,648,062 |
| Land lease agreements | 42,432 | 40,411 | 47,745 |
| **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 | 64,000 | – | – |
| Jutai Gongmao coal purchase agreement | 50,000 | 39,695 | 46,900 |

Pursuant to Chapter 14A of the Listing Rules, details of the continuing connected transactions for the year ended 31 December 2018 required to be disclosed in the annual report are as follows:

1. On 27 September 2017, the Company entered into the following framework agreements with Tianjin Port Group, each for a term of three years from 1 January 2018 to 31 December 2020. 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 and assets lease framework agreement***

Nature of the transactions: Leasing of freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area from the Tianjin Port Group and/or its associates to the Group

Pricing determination: Prices for the leases are determined with reference to (1) actual content of the leases, area and number under the leases, and the term of the leases; and (2) market price of similar leasing services

(1) for the lease of freight yards and warehouses, the prices are determined by obtaining market price information through various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of the neighbouring land with similar usage on the government websites), and with reference to the market price, the lease term, the historical price, the location and the degree of use of the present freight yards and warehouses, as well as the demand and supply of the market

(2) for the lease of office buildings, the prices are determined by obtaining market price information through various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), and with reference to the market price, the lease term, the historical price, the location and the degree of use of the present office buildings, as well as the demand and supply of the market

(3) for the lease of facilities and equipment, the prices are determined by obtaining market price information through various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), and with reference to the market price, the lease term, the historical price, the condition and the degree of use of the present facilities and equipment, as well as the demand and supply of the market

The price determination mechanism adopted for the connected persons is the same as that for independent third parties

Payment terms: Payments are made by the Group to Tianjin Port Group and/or its associates on a quarterly, half-yearly or annual basis

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017, 23 October 2017 and 1 August 2018.

### *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, including but not limited to water supply services; electricity supply services; communications services; IT support services (including but not limited to repair and maintenance of hardware and software of the electronic data information network in respect of the port operations of the Group); repair and maintenance of port facilities and equipment; project management services; labour services; and general administrative services (including but not limited to office support services, general maintenance services, cleaning services, and catering services, etc.) |
| Pricing determination: | Prices of water supply services and electricity supply services 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 |
| | Prices of other integrated services are determined with reference to (1) the market prices of the relevant similar services with reference to the content of the services (such as types, qualities and quantities); and (2) the quantities of labour or 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 one-off, monthly or quarterly basis |

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017 and 23 October 2017, and the circular of the Company dated 17 November 2017.

### *Sales framework agreement*

| | |
|---|---|
| Nature of the transactions: | Sale of products including spare parts, fuel, construction materials and other products by the Group to Tianjin Port Group and/or its associates. Other products include labour protection products, daily sundries and such products as the needs of Tianjin Port Group and/or its associates may arise from time to time |
| Pricing determination: | Prices of products sold are determined based on (1) the relevant comparable market prices of the similar products with reference to the types and qualities (except for fuel, which refers to the international market prices for fuel); and (2) the quantities of the products |
| | (1) fuel price will be determined through internal evaluation conducted by a group comprising personnel from marketing department and senior management of the relevant subsidiary(ies) on a daily basis, with reference to the market price information obtained through various means (such as the Singapore Platts Price and comparable prices in the domestic market) on the relevant transaction day |
| | (2) for other types of products (other than fuel), the Group would obtain two to three quotations of comparable prices from suppliers, and determine the sale prices with reference to such purchase prices, the rate charged within the industry, market research, supply and demand of products, costs of transportation and storage, financing cost and other related costs |
| | The price determination mechanism adopted for the connected persons is the same as that for independent third parties |
| Payment terms: | Payments are made by Tianjin Port Group and/or its associates to the Group on a one-off or monthly basis |

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017 and 23 October 2017.

### *Freight yard, warehousing and assets lease framework agreement*

| | |
|---|---|
| Nature of the transactions: | Leasing of freight yards, warehouses, office buildings, facilities and equipment 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) actual content of the leases, area and number under the leases, and the term of the leases; and (2) market price of similar leasing services<br>(1) for the lease of freight yards and warehouses, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of neighbouring land with similar usage on government websites), and with reference to the market price, the lease term, the location and the degree of use of the present freight yards and warehouses, and the demand and supply of the market<br>(2) for the lease of office buildings, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), and with reference to the market price, the lease term, the location and the degree of use of the present office buildings, and the demand and supply of the market<br>(3) for the lease of facilities and equipment, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), and with reference to the market price, the lease term, the condition and the degree of use of the present facilities and equipment, and the demand and supply of the market<br>The price determination mechanism adopted for the connected persons is the same as that for independent third parties |
| Payment terms: | Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly basis |

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017 and 23 October 2017.

### *Cargo reconfiguration, storage and logistics services framework agreement*

Nature of the transactions: Provision of cargo reconfiguration (transportation using vehicles and other transportation means), storage (custody and storage for cargos), logistics (including but not limited to tugboat related services) and other related services by the Group to Tianjin Port Group and/or its associates. Other related services include tallying services and such services as the needs of Tianjin Port Group and/or its associates arise from time to time

Pricing determination: Prices of the services provided are determined with reference to (1) actual content of the services, volume of cargo handled, volume of cargo stored and duration of storage, quantities of services; and (2) market price of similar services

(1) for cargo reconfiguration services, the prices are determined with reference to price quotations obtained from reconfiguration fleet providing same or similar services, the cost of providing such services, the fee charged within the industry, as well as the distance of reconfiguration and complexity of transport

(2) for storage services, the prices are determined with reference to the storage prices obtained by enquiring clients or storage services providers in the Tianjin Port area, the cost of providing such services, the fee charged within the industry, as well as prices comparison of commercial or logistic storage in the Tianjin Port area

(3) for logistics services, the prices are determined with reference to the type, content and complexity of the services and the cost of providing the personnel involved, as well as a cost plus reasonable profit margin of 5%-20%

The price determination mechanism adopted for the connected persons is the same as that for independent third parties

Payment terms: Payments are made by Tianjin Port Group and/or its associates to the Group on a one-off, monthly or quarterly basis

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017, 23 October 2017 and 1 August 2018.

### *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. Positions of labour mainly include routine and mid-level management staff for provision of management expertise for equipment, safety management and integrated management services; technical operation staff for provision of maintenance services and delivery services; and such other labour services as the needs of Tianjin Port Group and/or its associates may arise from time to time |
| Pricing determination: | Prices of the labour services are determined with reference to (1) the type, content and complexity of the services provided; (2) the cost of labour according to the type of positions, the level of techniques required, years of experience and their experience; and (3) the labour market price in the Tianjin Port area<br><br>The price determination mechanism adopted for the connected persons is the same as that for independent third parties |
| Payment terms: | Payments are made by Tianjin Port Group and/or its associates to the Group on a monthly basis |

Details of the above continuing connected transactions were disclosed in the announcements of the Company dated 27 September 2017 and 23 October 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 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 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.

As the financial services framework agreement dated 23 September 2015 expired on 31 December 2018, the Company had on 21 September 2018 entered into a new financial services framework agreement, for a term of three years from 1 January 2019 to 31 December 2021, with Tianjin Port Group and Tianjin Port Finance to continue the transactions. Details of the transactions were set out in the announcement of the Company dated 21 September 2018 and the circular of the Company dated 2 November 2018. The new financial services framework agreement, deposit services (category (1) of the financial services mentioned above) and the related proposed annual caps for the three years ending 31 December 2021 were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 6 December 2018.

3. On 27 September 2017, 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 agreements with Jutai Gongmao for a term from 1 January 2018 to 31 December 2020. 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 agreements 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 |
| | The prices of the coal sold will be determined with reference to the price as published on coal exchange website for coals of the same category and comparable quality at the time of the relevant sale |
| Payment terms: | Delivery upon payment |

### *Jutai Gongmao coal purchase agreement*

| | |
|---|---|
| Nature of the transactions: | Purchase of coal by Tianjin Zhongtie from Jutai Gongmao |
| Pricing determination: | The prices of the coal purchased will be determined with reference to the price as published on coal exchange website for coals of the same category and comparable quality at the time of the relevant purchase |
| | The price determination mechanism adopted for the connected persons is the same as that for independent third parties |
| Payment terms: | Delivery upon payment |

Details of the above continuing connected transactions were disclosed 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 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 2018, 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 2018, the fees collected by the Group on behalf of Tianjin Port Group amounted to RMB396,308,000 (equivalent to approximately HK$468,228,000).

## 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 2018 are disclosed in Note 27 to the consolidated financial statements. A summary is set out as follows:

| | *Note* | **2018**<br>HK$'000 |
|---|---|---|
| **With Tianjin Port Group and its subsidiaries, associates and joint ventures** | *1* | |
| Sales of goods and services | | 119,627 |
| Purchases of goods and services | | 745,268 |
| Expenses for rental of land, property, plant and equipment | | 216,738 |
| Acquisition of property, plant and equipment | | 277,409 |
| **With associates of the Group** | *2* | |
| Sales of goods and services | | 116,742 |
| Purchases of goods and services | | 842,578 |
| Income from rental of property, plant and equipment | | 37,003 |
| Expenses for rental of property, plant and equipment | | 19,917 |
| Interest income | | 38,820 |
| Interest expenses | | 158,541 |
| **With joint ventures of the Group** | *2* | |
| Sales of goods and services | | 67,841 |
| Purchases of goods and services | | 111,873 |
| Interest income | | 5,225 |

*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

CHU Bin, 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. CHU, Mr. ZHANG and Mr. LI who are the only common directors in the Company and Tianjin Port Group) and Mr. CHU, 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 2018 pursuant to the Listing Rules.

## CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 47 to 57.

## 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
**CHU Bin**
*Chairman*

Hong Kong, 27 March 2019

# INDEPENDENT AUDITOR'S REPORT

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 83 to 141, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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.

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## 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<br><br>As at 31 December 2018, the long-term assets of the Group included "Land use rights" of HK$5,897 million, "Property, plant and equipment" of HK$18,804 million and "Intangible assets" of HK$60 million.<br><br>As at 31 December 2018, 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.<br><br>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.<br><br>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.<br><br>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.<br><br>We assessed the discount rate used by the management, with the assistance from our internal valuation expert, taking into account the cost of capital of each cash-generating-unit as well as the relevant territory and industry specific factors.<br><br>We also performed sensitivity analysis by varying the assumptions for business volume growth rate and discount rate.<br><br>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 Brian Ming Yan Choi.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 27 March 2019

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2018*

| | *Note* | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Revenue | *3* | **15,871,075** | 16,621,811 |
| Business tax and surcharge | | **(14,800)** | (18,318) |
| Cost of sales | | **(12,675,629)** | (12,961,777) |
| Gross profit | | **3,180,646** | 3,641,716 |
| Other income and gains | *4* | **372,925** | 516,882 |
| Administrative expenses | | **(1,804,583)** | (1,912,589) |
| Net impairment losses on financial assets | | **(23,123)** | (10,105) |
| Other operating expenses | | **(255,336)** | (40,655) |
| Operating profit | | **1,470,529** | 2,195,249 |
| Finance costs | *5* | **(616,065)** | (571,887) |
| Share of net profit of associates and joint ventures accounted for using the equity method | | **448,394** | 502,577 |
| Profit before income tax | | **1,302,858** | 2,125,939 |
| Income tax | *8* | **(263,324)** | (471,273) |
| Profit for the year | | **1,039,534** | 1,654,666 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **430,534** | 774,592 |
| Non-controlling interests | | **609,000** | 880,074 |
| | | **1,039,534** | 1,654,666 |
| Earnings per share | *10* | | |
| Basic (HK cents) | | **7.0** | 12.6 |
| Diluted (HK cents) | | **7.0** | 12.6 |

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

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

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 11 | **5,897,291** | 6,334,061 |
| Property, plant and equipment | 12 | **18,803,723** | 19,834,777 |
| Intangible assets | 13 | **60,069** | 69,909 |
| Investments accounted for using the equity method | 15 | **5,524,722** | 5,972,997 |
| Financial assets at fair value through other comprehensive income | 16 | **509,111** | – |
| Available-for-sale financial assets | 16 | **–** | 958,574 |
| Deferred income tax assets | 17 | **54,091** | 63,520 |
| | | **30,849,007** | 33,233,838 |
| **Current assets** | | | |
| Inventories | 18 | **318,441** | 237,647 |
| Trade and other receivables | 19 | **3,301,211** | 3,234,034 |
| Restricted bank deposits | 20 | **19,193** | 49,742 |
| Time deposits with maturity over three months | 20 | **1,115,043** | 573,860 |
| Cash and cash equivalents | 20 | **9,868,107** | 10,118,303 |
| | | **14,621,995** | 14,213,586 |
| **Total assets** | | **45,471,002** | 47,447,424 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 21 | **615,800** | 615,800 |
| Other reserves | 22 | **3,702,402** | 4,625,214 |
| Retained earnings | | **7,906,069** | 7,484,124 |
| | | **12,224,271** | 12,725,138 |
| **Non-controlling interests** | | **13,665,161** | 14,237,699 |
| **Total equity** | | **25,889,432** | 26,962,837 |

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *23* | **9,050,608** | 8,823,898 |
| Deferred income tax liabilities | *17* | **220,084** | 483,652 |
| Other long-term liabilities | | **25,533** | 23,589 |
| | | **9,296,225** | 9,331,139 |
| **Current liabilities** | | | |
| Trade and other payables | *24* | **3,785,951** | 3,447,745 |
| Current income tax liabilities | | **99,150** | 120,725 |
| Borrowings | *23* | **6,400,244** | 7,584,978 |
| | | **10,285,345** | 11,153,448 |
| **Total liabilities** | | **19,581,570** | 20,484,587 |
| **Total equity and liabilities** | | **45,471,002** | 47,447,424 |
| **Net current assets** | | **4,336,650** | 3,060,138 |
| **Total assets less current liabilities** | | **35,185,657** | 36,293,976 |

The consolidated financial statements on pages 83 to 141 were approved by the Board of Directors on 27 March 2019 and were signed on its behalf by:

**CHU Bin**
*Director*

**LI Quanyong**
*Director*

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2018*

| | 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 2017** | 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 | – | 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** |
| Total comprehensive (loss)/income for the year | | **(622,824)** | **430,534** | **(192,290)** | **(111,239)** | **(303,529)** |
| Transfers | **–** | **102,931** | **(102,931)** | **–** | **–** | **–** |
| Dividends | **–** | **(309,747)** | **–** | **(309,747)** | **(550,270)** | **(860,017)** |
| Deregistration of subsidiaries | **–** | **(871)** | **871** | **–** | **(23,284)** | **(23,284)** |
| Disposal of financial assets at fair value through other comprehensive income | **–** | **(73,122)** | **74,292** | **1,170** | **408** | **1,578** |
| Lapse of share options | **–** | **(19,179)** | **19,179** | **–** | **–** | **–** |
| Capital contributions from non-controlling interests | **–** | **–** | **–** | **–** | **111,847** | **111,847** |
| **At 31 December 2018** | **615,800** | **3,702,402** | **7,906,069** | **12,224,271** | **13,665,161** | **25,889,432** |

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 25 | **2,909,276** | 2,416,553 |
| Interest received | | **248,521** | 121,614 |
| PRC income tax paid | | **(398,188)** | (498,913) |
| Net cash generated from operating activities | | **2,759,609** | 2,039,254 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment, land use rights and intangible assets | | **(607,289)** | (805,314) |
| Investments in associates and joint ventures | | **–** | (32,660) |
| Proceeds from deregistration of an associate | | **–** | 2,840 |
| Proceeds from deregistration of joint ventures | | **783** | – |
| Proceeds from disposal of property, plant and equipment, land use rights and intangible assets | | **16,270** | 19,942 |
| Proceeds from sale of financial assets at fair value through other comprehensive income, net of tax | | **232,989** | – |
| Dividends received from associates and joint ventures | | **407,217** | 418,766 |
| Dividends received from financial assets at fair value through other comprehensive income | | **18,573** | – |
| Dividends received from available-for-sale financial assets | | **–** | 20,606 |
| Interest received from a joint venture | | **2,620** | 6,609 |
| Interest received from loans receivable | | **–** | 13,903 |
| Receipt of loans receivable | | **–** | 598,158 |
| (Increase)/decrease in time deposits with maturity over three months | | **(567,577)** | 803,098 |
| Net cash (used in)/from investing activities | | **(496,414)** | 1,045,948 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **8,607,324** | 5,108,585 |
| Repayments of borrowings | | **(9,016,391)** | (3,919,483) |
| Interest paid | | **(710,260)** | (577,129) |
| Dividends paid to equity holders of the Company | | **(423,079)** | (98,503) |
| Dividends paid to non-controlling interests | | **(528,054)** | (748,286) |
| Capital contributions from non-controlling interests | | **111,847** | 124,210 |
| Payment to non-controlling interests upon deregistration of subsidiaries | | **(14,844)** | (1,085) |
| Net cash used in financing activities | | **(1,973,457)** | (111,691) |
| **Net increase in cash and cash equivalents** | | **289,738** | 2,973,511 |
| Cash and cash equivalents at 1 January | | **10,118,303** | 6,537,380 |
| Effects of exchange rate changes | | **(539,934)** | 607,412 |
| **Cash and cash equivalents at 31 December** | | **9,868,107** | 10,118,303 |

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 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").

## 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 ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs 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) Adoption of new/revised HKFRSs

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

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

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

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

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

## 2.1 Basis of preparation *(continued)*

### (a) Adoption of new/revised HKFRSs *(continued)*

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

On 1 January 2018 (the date of initial application of HKFRS 9), the Group made an election to designate its equity investments of HK$958,574,000 previously classified as available-for-sale financial assets to financial assets at FVOCI, such that subsequent changes in fair value are recognised in other comprehensive income (OCI) and there was no impact on retained earnings. There is no subsequent reclassification of fair value gains and losses to profit or loss at disposal, and the cumulative gain and loss recognised in the revaluation reserve is transferred to retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income. The new accounting policies are set out in note 2.11.

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

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

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

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

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

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

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

## 2.1 Basis of preparation *(continued)*

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

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

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately HK$1,266 million (Note 26(b)). Upon adoption of HKFRS 16, the majority of operating leases will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The right-of-use assets will be measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received) and depreciated on a straight-line basis during the lease term. The lease liabilities will be measured at the present value of the remaining lease payments and will subsequently be measured at amortised cost. The Group intends to adopt the simplified transition approach and will not restate comparative amounts for the year prior to its first adoption.

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

## 2.2 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.

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

## 2.2 Principles of consolidation and equity accounting *(continued)*

### (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.

### (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 2.12.

### (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 financial assets at FVOCI (2017: available-for-sale financial assets) 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 financial assets at FVOCI (2017: 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

## 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.

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 Investments and other financial assets

### Policy applicable from 1 January 2018

#### *Classification*

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the financial assets at FVOCI.

#### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in 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 the risks and rewards of ownership.

(a) Equity instruments

The Group subsequently measured all equity investments at fair value.

Changes in the fair value of financial assets at FVOCI are recognised in OCI except for exchange gains and losses which are recognised in profit or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss at disposal, the amount accumulated in the revaluation reserve is transferred to retained earnings. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognised in other gains or losses in the consolidated income statement as applicable.

Dividends from investments in equity instruments (either through OCI, or through profit or loss) are recognised in profit or loss as other income.

(b) Debt instruments

The Group subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by loss allowance for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gains and losses on derecognition is recognised in the consolidated income statement. The financial assets measured at amortised costs 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 consolidated statement of financial position.

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

## 2.11 Investments and other financial assets *(continued)*

### Policy prior to 1 January 2018

The Group classified 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 determined the classification of its financial assets at initial recognition.

Regular way purchases and sales of financial assets were recognised on the trade-date, the date on which the Group committed to purchase or sell the asset. Investments were 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 had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership.

(a) Available-for-sale financial assets

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

(b) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts was expected in one year or less they were classified as current assets. If not, they were 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 were subsequently carried at amortised cost using the effective interest method.

## 2.12 Impairment of financial assets

### Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. Loss allowances for all other financial instruments equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. Any change in ECLs is recognised in profit or loss.

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

## 2.12 Impairment of financial assets *(continued)*

### Policy prior to 1 January 2018

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

(a) Assets carried at amortised cost

A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors were experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation, and where observable data indicate that there was 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 was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was 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 decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was 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 was considered as an indicator that the assets were 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) was 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(b) 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

### Policy applicable from 1 January 2018

Revenue is recognised when (or as) it satisfies a performance obligation by transferring a promised goods or service to a customer (which is when the customer obtains control of that good or service). A performance obligation is a promise to transfer a distinct goods or service to a customer. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. 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 performance obligation is completed by transferring a promised service to the customer.

**(b) Sale of goods**

Revenue from the sale of goods is recognised when control of goods has transferred. A receivable is recongised when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### Policy prior to 1 January 2018

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

## 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.

## 2.27 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 2018 | | | |
|---|---|---|---|---|
| | Cargo handling HK$'000 | Sales HK$'000 | Other port ancillary services HK$'000 | Total HK$'000 |
| Total segment revenue | 6,861,835 | 6,796,629 | 2,997,049 | 16,655,513 |
| Inter-segment revenue | – | (330,908) | (453,530) | (784,438) |
| Revenue from external customers | 6,861,835 | 6,465,721 | 2,543,519 | 15,871,075 |
| Segment results | 2,200,640 | 144,180 | 850,626 | 3,195,446 |
| Business tax and surcharge | | | | (14,800) |
| Other income and gains | | | | 372,925 |
| Administrative expenses | | | | (1,804,583) |
| Net impairment losses on financial assets | | | | (23,123) |
| Other operating expenses | | | | (255,336) |
| Finance costs | | | | (616,065) |
| Share of net profit of associates and joint ventures accounted for using the equity method | | | | 448,394 |
| Profit before income tax | | | | 1,302,858 |
| Other information: | | | | |
| – Depreciation and amortisation | 1,009,246 | 18,589 | 196,963 | 1,224,798 |
| – Share of net profit of associates and joint ventures accounted for using the equity method | 329,587 | 7,653 | 14,124 | 351,364 |

| | As at 31 December 2018 | | | |
|---|---|---|---|---|
| | Cargo handling HK$'000 | Sales HK$'000 | Other port ancillary services HK$'000 | Total HK$'000 |
| Segment assets | 27,243,465 | 2,167,785 | 8,951,291 | 38,362,541 |
| Unallocated assets: | | | | |
| – Interest in an associate | | | | 1,306,876 |
| – Financial assets at FVOCI | | | | 509,111 |
| – Deferred income tax assets | | | | 54,091 |
| – Head office and corporate assets | | | | 5,238,383 |
| Total assets | | | | 45,471,002 |
| Total assets include: | | | | |
| – Interests in associates and joint ventures | 3,554,265 | 120,719 | 542,862 | 4,217,846 |
| – Additions to non-current assets | 788,410 | 11,659 | 166,007 | 966,076 |

## 3. SEGMENT INFORMATION *(continued)*

| | For the year ended 31 December 2017 | | | |
|---|---|---|---|---|
| | Cargo handling HK$'000 | Sales HK$'000 | Other port ancillary services HK$'000 | Total HK$'000 |
| Total segment revenue | 6,996,265 | 7,295,713 | 3,295,193 | 17,587,171 |
| Inter-segment revenue | – | (447,898) | (517,462) | (965,360) |
| Revenue from external customers | 6,996,265 | 6,847,815 | 2,777,731 | 16,621,811 |
| Segment results | 2,627,225 | 169,413 | 863,396 | 3,660,034 |
| Business tax and surcharge | | | | (18,318) |
| Other income and gains | | | | 516,882 |
| Administrative expenses | | | | (1,912,589) |
| Net impairment losses on financial assets | | | | (10,105) |
| Other operating expenses | | | | (40,655) |
| Finance costs | | | | (571,887) |
| Share of net profit of associates and joint ventures accounted for using the equity method | | | | 502,577 |
| Profit before income tax | | | | 2,125,939 |
| Other information: | | | | |
| – Depreciation and amortisation | 959,314 | 17,856 | 194,457 | 1,171,627 |
| – Share of net profit of associates and joint ventures accounted for using the equity method | 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 |

## 4. OTHER INCOME AND GAINS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Exchange gain, net | – | 281,470 |
| Interest income | | |
| – from deposits | **258,878** | 140,223 |
| – from loan to a joint venture | **5,225** | 3,510 |
| – from other loans receivable | – | 13,903 |
| Dividend income from financial assets at FVOCI | **18,573** | – |
| Dividend income from available-for-sale financial assets | – | 21,415 |
| Gain on deregistration of subsidiaries | **2,643** | – |
| Government grants | **68,357** | 41,482 |
| Others | **19,249** | 14,879 |
| | **372,925** | 516,882 |

## 5. FINANCE COSTS

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

Borrowing costs were capitalised at the weighted average rate of 4.4% (2017: 4.4%) per annum.

## 6. EXPENSES BY NATURE

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Costs of goods sold | **6,236,931** | 6,606,434 |
| Employee benefit expenses, including directors' emoluments *(Note 7)* | **2,247,845** | 2,473,412 |
| Depreciation of property, plant and equipment *(Note 12)* | **1,047,450** | 1,003,377 |
| Amortisation of land use rights *(Note 11)* | **159,592** | 150,734 |
| Amortisation of intangible assets *(Note 13)* | **17,935** | 17,680 |
| Exchange loss, net | **204,319** | – |
| Operating lease rental | **328,148** | 322,762 |
| Loss on disposal of property, plant and equipment | **41,006** | 16,680 |
| Auditor's remuneration | | |
| – audit services | **2,400** | 2,400 |
| – non-audit services | **83** | 622 |

# 7. EMPLOYEE BENEFIT EXPENSES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Wages and salaries, social security costs and other benefits | **1,969,511** | 2,166,725 |
| Employer's contributions to retirement benefits schemes | **278,334** | 306,687 |
| | **2,247,845** | 2,473,412 |

## (a) Directors' emoluments

| | For the year ended 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| **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$'000** | **Total HK$'000** |
| **Executive directors** | | | | | | |
| Chu Bin *(Notes i & iv)* | 5 | 78 | – | – | – | 83 |
| Zhang Ruigang *(Notes ii & iv)* | 163 | 2,262 | – | – | 139 | 2,564 |
| Li Quanyong *(Note iv)* | 168 | 2,315 | – | – | 138 | 2,621 |
| Wang Rui *(Note iv)* | 225 | 1,707 | 21 | – | 120 | 2,073 |
| Yu Houxin *(Note v)* | 396 | – | – | – | 22 | 418 |
| Shi Jing *(Note v)* | 396 | – | – | – | 22 | 418 |
| **Independent non-executive directors** *(Note v)* | | | | | | |
| Japhet Sebastian Law | 441 | – | 104 | – | – | 545 |
| Cheng Chi Pang, Leslie | 441 | – | 104 | – | – | 545 |
| Zhang Weidong | 441 | – | 104 | – | – | 545 |
| | 2,676 | 6,362 | 333 | – | 441 | 9,812 |

# 7. EMPLOYEE BENEFIT EXPENSES *(continued)*

## (a) Directors' emoluments *(continued)*

| | For the year ended 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| **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$'000** | **Total HK$'000** |
| **Executive directors** | | | | | | |
| Zhang Ruigang *(Notes ii & 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 |

*Notes:*

i. Appointed on 20 December 2018.

ii. Resigned on 20 December 2018.

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 (2017: 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 (2017: 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 (2017: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2017: two) individuals are as follows:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Salaries and other benefits | **3,638** | 3,532 |
| Discretionary bonus | **760** | 848 |
| Employer's contributions to retirement benefits schemes | **228** | 212 |
| | **4,626** | 4,592 |

| | **2018 Number of individuals** | 2017 Number of individuals |
|---|---|---|
| The emoluments fell within the following band: | | |
| HK$2,000,001 - HK$2,500,000 | **2** | 2 |

# 8. INCOME TAX

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

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the year (2017: nil).

PRC income tax has been provided based on the estimated assessable 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.

The PRC Enterprise Income Tax law imposes a withholding income tax at 10% on dividends distributed by a PRC resident enterprise to its holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Such income tax rate may be further reduced to 5% in the case where the holding company is a Hong Kong resident enterprise holding 25% or more equity interests in such PRC resident enterprise pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Upon completion of tax filing and settlement procedures by one of the Group's PRC subsidiaries with the respective tax authority in April 2018, the Group considered that it qualified for the preferential tax rate of 5% on dividends paid by the respective PRC subsidiary and recognised the effect of the change of the respective tax rate during the year ended 31 December 2018.

## 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:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Profit before income tax | **1,302,858** | 2,125,939 |
| Less: Share of net profit of associates and joint ventures accounted for using the equity method | **(448,394)** | (502,577) |
| | **854,464** | 1,623,362 |
| Tax calculated at statutory tax rate | **231,454** | 387,141 |
| Income not subject to income tax | **(32,609)** | (63,330) |
| Expenses not deductible for tax purposes | **31,970** | 87,366 |
| Tax losses for which no deferred income tax asset was recognised | **182,531** | 74,689 |
| Utilisation of previously unrecognised tax losses | **–** | (34,385) |
| Derecognition of previously recognised deferred income tax assets | **13,037** | 42,704 |
| Withholding income tax on undistributed profits of PRC subsidiaries, associates and joint ventures | **(146,065)** | 44,847 |
| Tax exemptions and concessions | **(16,994)** | (67,759) |
| Income tax | **263,324** | 471,273 |

## 9. DIVIDENDS

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

The board of directors of the Company proposed the payment of a final dividend of HK2.79 cents per ordinary share for the year ended 31 December 2018 (2017: HK5.03 cents). These consolidated financial statements do not reflect this dividend payable.

## 10. EARNINGS PER SHARE

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

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

| | **2018** **'000** | 2017 '000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for calculating basic earnings per share | **6,158,000** | 6,158,000 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **431** | 1,376 |
| Weighted average number of ordinary shares for calculating diluted earnings per share | **6,158,431** | 6,159,376 |

Diluted earnings per share for the years ended 31 December 2018 and 31 December 2017 assumed the effect of exercise of certain of the Company's outstanding share options since they would have a dilutive effect.

## 11. LAND USE RIGHTS

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

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| At 1 January | **6,334,061** | 5,686,092 |
| Exchange differences | **(285,901)** | 393,371 |
| Additions | **–** | 15,040 |
| Disposals | **–** | (1,660) |
| Transfers | **8,723** | 391,952 |
| Amortisation for the year | **(159,592)** | (150,734) |
| **Net book values** | | |
| At 31 December | **5,897,291** | 6,334,061 |

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 2017 | 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** |
| Exchange differences | **(423,397)** | **(406,739)** | **(447,312)** | **(22,159)** | **(15,867)** | **(87,736)** | **(1,403,210)** |
| Additions | **–** | **–** | **–** | **306** | **–** | **965,804** | **966,110** |
| Disposals | **(44,104)** | **(2,007)** | **(217,135)** | **(20,845)** | **(14,121)** | **–** | **(298,212)** |
| Transfers to construction in progress | **–** | **–** | **(606,238)** | **–** | **–** | **534,221** | **(72,017)** |
| Transfers | **18,985** | **465,790** | **857,497** | **20,022** | **4,786** | **(1,387,475)** | **(20,395)** |
| At 31 December 2018 | **8,756,969** | **8,900,322** | **9,312,202** | **459,141** | **319,802** | **1,932,364** | **29,680,800** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2017 | 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** |
| Exchange differences | **(135,128)** | **(90,219)** | **(274,352)** | **(14,745)** | **(12,108)** | **–** | **(526,552)** |
| Charge for the year | **292,328** | **185,366** | **511,857** | **37,105** | **20,794** | **–** | **1,047,450** |
| Disposals | **(27,691)** | **(1,035)** | **(189,331)** | **(15,213)** | **(12,281)** | **–** | **(245,551)** |
| Transfers to construction in progress | **–** | **–** | **(72,017)** | **–** | **–** | **–** | **(72,017)** |
| At 31 December 2018 | **2,851,290** | **1,918,571** | **5,562,596** | **300,301** | **244,319** | **–** | **10,877,077** |
| **Net book values** | | | | | | | |
| At 31 December 2017 | 6,483,704 | 7,018,819 | 4,138,951 | 188,663 | 97,090 | 1,907,550 | 19,834,777 |
| At 31 December 2018 | **5,905,679** | **6,981,751** | **3,749,606** | **158,840** | **75,483** | **1,932,364** | **18,803,723** |

The Group is in the process of applying the title documents of certain buildings with carrying value of approximately HK$182 million (2017: HK$213 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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **173,916** | 146,038 |
| Exchange differences | **(8,000)** | 10,238 |
| Additions | **–** | 18,128 |
| Disposals | **(1,961)** | (5,065) |
| Transfers | **11,672** | 4,577 |
| At 31 December | **175,627** | 173,916 |
| **Accumulated amortisation** | | |
| At 1 January | **104,007** | 80,995 |
| Exchange differences | **(5,394)** | 6,294 |
| Charge for the year | **17,935** | 17,680 |
| Disposals | **(990)** | (962) |
| At 31 December | **115,558** | 104,007 |
| **Net book values** | | |
| At 31 December | **60,069** | 69,909 |

# 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.** | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Summarised assets and liabilities** | | | | | | |
| Current assets | **146,684** | 117,248 | **240,056** | 527,120 | **280,222** | 439,896 |
| Non-current assets | **1,662,018** | 1,829,483 | **5,077,144** | 5,434,185 | **1,905,485** | 2,084,420 |
| Current liabilities | **(476,943)** | (299,577) | **(1,595,967)** | (576,843) | **(345,303)** | (514,184) |
| Non-current liabilities | **(164,346)** | (242,254) | **(586,969)** | (2,130,638) | **(463,935)** | (571,241) |
| Net assets | **1,167,413** | 1,404,900 | **3,134,264** | 3,253,824 | **1,376,469** | 1,438,891 |
| Net assets attributable to non-controlling interests | **829,178** | 997,857 | **2,226,170** | 2,311,090 | **977,664** | 1,022,000 |
| **Summarised profit or loss and other comprehensive income** | | | | | | |
| Revenue | **720,707** | 605,145 | **1,198,327** | 1,113,826 | **671,986** | 705,420 |
| (Loss)/profit for the year | **(137,463)** | 45,112 | **301,714** | 308,197 | **106,147** | 119,180 |
| Total comprehensive (loss)/income for the year | **(197,405)** | 139,705 | **141,796** | 524,362 | **36,356** | 225,309 |
| (Loss)/profit for the year attributable to non-controlling interests | **(97,636)** | 32,042 | **214,298** | 218,902 | **75,393** | 84,649 |
| Dividends paid to non-controlling interests | **9,820** | 30,241 | **128,064** | 98,481 | **48,401** | 118,140 |
| **Summarised cash flows** | | | | | | |
| Net cash from operating activities | **117,568** | 163,079 | **613,157** | 673,465 | **310,202** | 112,791 |
| Net cash (used in)/from investing activities | **(29,820)** | (14,114) | **(104,580)** | (107,280) | **14,973** | 73,206 |
| Net cash used in financing activities | **(83,578)** | (146,408) | **(801,154)** | (318,346) | **(384,583)** | (303,825) |

## 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. | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Summarised assets and liabilities** | | | | |
| Current assets | **298,918** | 317,025 | **217,305** | 521,376 |
| Non-current assets | **898,283** | 940,966 | **4,082,647** | 4,116,060 |
| Current liabilities | **(106,846)** | (87,236) | **(763,295)** | (1,078,100) |
| Non-current liabilities | **(100,434)** | (148,343) | **(1,774,313)** | (1,677,410) |
| Net assets | **989,921** | 1,022,412 | **1,762,344** | 1,881,926 |
| Net assets attributable to non-controlling interests | **703,110** | 726,188 | **1,251,738** | 1,336,674 |
| **Summarised profit or loss and other comprehensive income** | | | | |
| Revenue | **419,555** | 438,521 | **547,667** | 586,662 |
| Profit for the year | **133,946** | 130,096 | **20,404** | 63,202 |
| Total comprehensive income/(loss) for the year | **82,365** | 204,527 | **(66,847)** | 178,590 |
| Profit for the year attributable to non-controlling interests | **95,138** | 92,403 | **14,492** | 44,890 |
| Dividends paid to non-controlling interests | **53,465** | 87,818 | **25,840** | 80,709 |
| **Summarised cash flows** | | | | |
| Net cash from operating activities | **128,030** | 89,516 | **289,724** | 24,010 |
| Net cash used in investing activities | **(1,653)** | (14,348) | **(11,385)** | (295,559) |
| Net cash (used in)/from financing activities | **(174,033)** | (187,568) | **(437,214)** | 375,097 |

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Investments in associates and joint ventures | **5,524,722** | 5,830,761 |
| Loan to a joint venture *(Note)* | **142,526** | 142,236 |
| | **5,667,248** | 5,972,997 |
| Analysed as: | | |
| Current assets *(Note 19)* | **142,526** | – |
| Non-current assets | **5,524,722** | 5,972,997 |
| | **5,667,248** | 5,972,997 |

*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 (2017: 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. | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Summarised assets and liabilities** | | | | | | |
| Current assets | **4,562,983** | 3,946,597 | **403,770** | 445,880 | **114,004** | 154,796 |
| Non-current assets | **6,599,215** | 7,130,453 | **2,299,445** | 2,486,686 | **1,902,833** | 1,904,893 |
| Current liabilities | **(8,439,539)** | (8,290,237) | **(240,801)** | (390,370) | **(244,115)** | (189,200) |
| Non-current liabilities | **–** | – | **(170,009)** | (194,401) | **(286,832)** | (281,134) |
| Net assets | **2,722,659** | 2,786,813 | **2,292,405** | 2,347,795 | **1,485,890** | 1,589,355 |
| Included in the above assets and liabilities: | | | | | | |
| Cash and cash equivalents | **3,018,364** | 3,920,510 | **209** | 19,080 | **31,917** | 58,083 |
| Current financial liabilities (excluding trade and other payables and provisions) | **8,270,388** | 8,267,418 | **171,194** | 299,079 | **76,467** | 78,957 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **–** | – | **158,069** | 194,401 | **283,040** | 281,134 |
| **Summarised profit or loss and other comprehensive income** | | | | | | |
| Revenue | **338,250** | 351,727 | **1,087,840** | 999,507 | **551,802** | 583,834 |
| Profit for the year | **202,147** | 241,099 | **388,483** | 364,275 | **86,106** | 119,907 |
| Other comprehensive (loss)/income | **(135,052)** | 183,629 | **(121,197)** | 162,621 | **(76,029)** | 107,627 |
| Total comprehensive income | **67,095** | 424,728 | **267,286** | 526,896 | **10,077** | 227,534 |
| Included in the above profit for the year: | | | | | | |
| Depreciation and amortisation | **318** | 366 | **18,141** | 136,408 | **114,979** | 114,290 |
| Interest income | **375,390** | 382,688 | **206** | 275 | **836** | 702 |
| Interest expense | **89,322** | 92,901 | **23,351** | 12,769 | **14,298** | 17,142 |
| Income tax expense | **74,319** | 80,642 | **129,690** | 118,791 | **26,945** | 42,404 |
| Dividends received from the associate and joint venture | **62,999** | 66,037 | **145,204** | 143,064 | **45,417** | 45,554 |

# 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. | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Summarised assets and liabilities** | | | | | | |
| Current assets | **312,050** | 299,884 | **122,589** | 131,221 | **61,770** | 14,796 |
| Non-current assets | **1,640,316** | 1,891,005 | **2,463,216** | 2,707,965 | **865,956** | 974,749 |
| Current liabilities | **(65,218)** | (64,816) | **(414,551)** | (337,956) | **(48,485)** | (27,875) |
| Non-current liabilities | **(5,175)** | (2,715) | **(543,027)** | (784,544) | **–** | – |
| Net assets | **1,881,973** | 2,123,358 | **1,628,227** | 1,716,686 | **879,241** | 961,670 |
| Included in the above assets and liabilities: | | | | | | |
| Cash and cash equivalents | **239,173** | 194,931 | **57,640** | 68,136 | **38,075** | 11,379 |
| Current financial liabilities (excluding trade and other payables and provisions) | **–** | – | **365,213** | 283,527 | **–** | – |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **–** | – | **543,027** | 784,544 | **–** | – |
| **Summarised profit or loss and other comprehensive income** | | | | | | |
| Revenue | **588,516** | 631,090 | **540,998** | 560,467 | **228,541** | 258,997 |
| Profit for the year | **139,694** | 171,339 | **66,960** | 88,285 | **78,740** | 82,332 |
| Other comprehensive (loss)/income | **(99,872)** | 145,209 | **(81,235)** | 113,078 | **(46,903)** | 60,286 |
| Total comprehensive income/(loss) | **39,822** | 316,548 | **(14,275)** | 201,363 | **31,837** | 142,618 |
| Included in the above profit for the year: | | | | | | |
| Depreciation and amortisation | **127,953** | 124,068 | **125,944** | 123,090 | **65,749** | 63,961 |
| Interest income | **2,906** | 2,332 | **850** | 879 | **1,078** | 167 |
| Interest expense | **–** | 467 | **52,593** | 50,629 | **–** | 1,710 |
| Income tax expense | **47,989** | 28,536 | **23,879** | 29,919 | **21,129** | 28,373 |
| Dividends received from the associate and joint venture | **90,390** | 119,153 | **29,674** | 21,534 | **57,065** | – |

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. | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Net assets of the associate and joint venture | **2,722,659** | 2,786,813 | **2,292,405** | 2,347,795 | **1,485,890** | 1,589,355 |
| 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 | **1,306,876** | 1,337,670 | **1,031,582** | 1,056,508 | **594,356** | 635,742 |
| Goodwill | **–** | – | **4,820** | 5,053 | **–** | – |
| Carrying amount | **1,306,876** | 1,337,670 | **1,036,402** | 1,061,561 | **594,356** | 635,742 |

| | Tianjin Port Alliance International Container Terminal Co., Ltd. | | Tianjin Port Euroasia International Container Terminal Co., Ltd. | | Tianjin Port Shihua Crude Oil Terminal Co., Ltd. | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Net assets of the associate and joint venture | **1,881,973** | 2,123,358 | **1,628,227** | 1,716,686 | **879,241** | 961,670 |
| 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 | **752,789** | 849,343 | **651,291** | 686,674 | **439,621** | 480,835 |
| Goodwill | **4,979** | 5,219 | **–** | – | **55,334** | 58,002 |
| Carrying amount | **757,768** | 854,562 | **651,291** | 686,674 | **494,955** | 538,837 |

## 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.

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates and joint ventures | **683,074** | 857,951 |
| Aggregate amount of the Group's share of: | | |
| Income for the year | **20,072** | 29,947 |
| Other comprehensive (loss)/income | **(16,268)** | 45,331 |
| Total comprehensive income | **3,804** | 75,278 |

## 16. FINANCIAL ASSETS AT FVOCI (2017: AVAILABLE-FOR-SALE FINANCIAL ASSETS)

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Equity securities listed in the PRC *(Note i)* | **452,320** | 884,103 |
| Equity securities listed in Hong Kong *(Note i)* | **11,000** | 24,000 |
| Unlisted equity investments *(Note ii)* | **45,791** | 50,471 |
| | **509,111** | 958,574 |

*Notes:*

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

ii. As at 31 December 2017, the unlisted equity investments were stated at cost less any accumulated impairment losses rather than fair value as they did not have quoted market prices in an active market and their fair values could not be reliably measured.

The carrying amounts of financial assets at FVOCI (2017: available-for-sale financial assets) are denominated in the following currencies:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Renminbi | **498,111** | 934,574 |
| HK dollars | **11,000** | 24,000 |
| | **509,111** | 958,574 |

# 17. DEFERRED INCOME TAX

## Deferred income tax assets

| | Unrealised profit on inter-company transfer of property, pant and equipment HK$'000 | Tax losses HK$'000 | Provisions, impairment losses and others HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2017 | 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** |
| Exchange differences | **(1,042)** | **(168)** | **(1,481)** | **(2,691)** |
| (Charged)/credited to consolidated income statement | **(1,562)** | **(13,371)** | **8,195** | **(6,738)** |
| At 31 December 2018 | **21,199** | **–** | **32,892** | **54,091** |

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$1,399 million (2017: HK$908 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$1,399 million will expire from 2019 to 2023 (2017: HK$908 million will expire from 2018 to 2022). Other losses are carried forward indefinitely.

## Deferred income tax liabilities

| | Financial assets at FVOCI (2017: Available-for-sale financial assets) revaluation HK$'000 | Withholding tax on undistributed profits HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2017 | 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** |
| Exchange differences | **(6,640)** | **(7,108)** | **(13,748)** |
| Tax paid | **–** | **(3,046)** | **(3,046)** |
| Tax paid upon disposal reclassified to retained earnings | **(71,508)** | **–** | **(71,508)** |
| Credited to consolidated income statement | **–** | **(146,065)** | **(146,065)** |
| Credited to other comprehensive income | **(29,201)** | **–** | **(29,201)** |
| At 31 December 2018 | **111,499** | **108,585** | **220,084** |

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Bunker and other fuel oil | **229,711** | 103,752 |
| Consumable and other materials | **88,730** | 133,895 |
| | **318,441** | 237,647 |

The costs of inventories recognised as expense and included in costs of sales were HK$6,767,096,000 (2017: HK$7,134,016,000), of which costs of goods sold amounted to HK$6,236,931,000 (2017: HK$6,606,434,000).

## 19. TRADE AND OTHER RECEIVABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Trade receivables | **2,097,442** | 1,884,450 |
| Less: Provision for impairment | **(94,728)** | (75,881) |
| | **2,002,714** | 1,808,569 |
| Notes receivables | **642,979** | 1,000,988 |
| Trade and notes receivables, net | **2,645,693** | 2,809,557 |
| Other receivables | **241,446** | 252,036 |
| Prepayments | **194,802** | 161,179 |
| Dividend receivables from an associate | **62,999** | – |
| Amount due from a joint venture | **13,745** | 11,262 |
| Loan to a joint venture *(Note 15)* | **142,526** | – |
| | **3,301,211** | 3,234,034 |

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.

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:

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

As at 31 December 2018, the Group endorsed notes receivables amounting to HK$545 million (2017: HK$465 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.

## 19. TRADE AND OTHER RECEIVABLES *(continued)*

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 2018, trade receivables of HK$31,648,000 (2017: HK$64,930,000) 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 over 180 days.

Trade receivables of HK$94,728,000 (2017: HK$75,881,000), 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$94,728,000 (2017: HK$75,881,000) was made. Movements in the provision for impairment of trade receivables are as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| At 1 January | **75,881** | 61,137 |
| Exchange differences | **(4,276)** | 4,639 |
| Provision for impairment of trade receivables | **23,123** | 10,105 |
| At 31 December | **94,728** | 75,881 |

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

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Restricted bank deposits *(Note)* | **19,193** | 49,742 |
| Time deposits with maturity over three months | **1,115,043** | 573,860 |
| Cash and cash equivalents | **9,868,107** | 10,118,303 |
| Total deposits and cash and cash equivalents | **11,002,343** | 10,741,905 |

*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:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Renminbi | **10,599,436** | 10,264,134 |
| US dollars | **373,315** | 456,827 |
| HK dollars | **29,592** | 20,944 |
| | **11,002,343** | 10,741,905 |

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 2017 and 31 December 2018 | **12,000,000** | **1,200,000** |
| **Issued and fully paid:** | | |
| At 31 December 2017 and 31 December 2018 | **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:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **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 |
| Lapsed | **4.24** | **(600)** | – | – |
| At 31 December | **1.43** | **14,650** | 1.54 | 15,250 |
| Exercisable 31 December | | **14,650** | | 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:

| | 2018 Remaining contractual life No. of years | 2018 Number of share options '000 | 2017 Remaining contractual life No. of years | 2017 Number of share options '000 |
|---|---|---|---|---|
| Exercise price | | | | |
| HK$4.24 | **–** | **–** | 0.07 | 600 |
| HK$2.34 | **1.28** | **2,100** | 2.28 | 2,100 |
| HK$1.846 | **1.80** | **1,000** | 2.80 | 1,000 |
| HK$1.904 | **2.25** | **1,000** | 3.25 | 1,000 |
| HK$1.828 | **2.33** | **700** | 3.33 | 700 |
| HK$0.896 | **3.50** | **4,200** | 4.50 | 4,200 |
| HK$1.514 | **5.72** | **1,100** | 6.72 | 1,100 |
| HK$1.21 | **6.95** | **1,100** | 7.95 | 1,100 |
| HK$1.244 | **7.31** | **3,450** | 8.31 | 3,450 |
| At 31 December | | **14,650** | | 15,250 |

# 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 2017 | 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 |
| Dividends | (211,835) | – | – | – | – | – | – | (211,835) |
| Assets restructuring | – | – | – | – | – | – | 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** |
| Other comprehensive loss for the year | **–** | **–** | **(43,433)** | **–** | **(579,391)** | **–** | **–** | **(622,824)** |
| Transfers | **–** | **–** | **–** | **–** | **–** | **102,931** | **–** | **102,931** |
| Dividends | **(309,747)** | **–** | **–** | **–** | **–** | **–** | **–** | **(309,747)** |
| Disposal of financial assets at FVOCI | **–** | **–** | **(73,122)** | **–** | **–** | **–** | **–** | **(73,122)** |
| Lapse of share options | **–** | **–** | **–** | **(19,179)** | **–** | **–** | **–** | **(19,179)** |
| Deregistration of subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **(871)** | **(871)** |
| At 31 December 2018 | **10,291,605** | **(9,111,447)** | **113,225** | **8,702** | **400,184** | **1,601,615** | **398,518** | **3,702,402** |

*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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Unsecured borrowings:** | | |
| **Non-current** | | |
| Long-term borrowings | **9,050,608** | 8,823,898 |
| **Current** | | |
| Short-term borrowings | **1,422,396** | 1,848,367 |
| Current portion of long-term borrowings | **4,977,848** | 5,736,611 |
| | **6,400,244** | 7,584,978 |
| | **15,450,852** | 16,408,876 |
| **Repayable:** | | |
| Borrowings | | |
| Within 1 year | **6,400,244** | 5,192,347 |
| Between 1 and 2 years | **3,102,578** | 4,819,995 |
| Between 2 and 5 years | **5,430,443** | 3,386,591 |
| Over 5 years | **517,587** | 617,312 |
| | **15,450,852** | 14,016,245 |
| Medium-term notes due within 1 year *(Note)* | **–** | 2,392,631 |
| | **15,450,852** | 16,408,876 |
| **Carrying amounts are denominated in the following currencies:** | | |
| Renminbi | **10,804,832** | 11,822,670 |
| HK dollars | **4,646,020** | 4,586,206 |
| | **15,450,852** | 16,408,876 |
| **Effective interest rates per annum at 31 December:** | | |
| Renminbi | **2.4%-5.0%** | 2.4% - 5.3% |
| HK dollars | **3.2%-3.6%** | 2.4% - 2.6% |

*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

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Trade payables | **1,738,265** | 1,369,736 |
| Notes payables | **195,563** | 134,577 |
| Trade and notes payables | **1,933,828** | 1,504,313 |
| Advance from customers | **848,506** | 814,203 |
| Dividends payable to: | | |
| – equity holders of the Company | **–** | 113,332 |
| – non-controlling interests | **46,512** | 39,256 |
| Other non-trade payables | **957,105** | 976,641 |
| | **3,785,951** | 3,447,745 |

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:

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

# 25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## Cash generated from operations

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Profit before income tax | **1,302,858** | 2,125,939 |
| Adjustments for: | | |
| – Interest income | **(264,103)** | (157,636) |
| – Finance costs | **616,065** | 571,887 |
| – Share of net profit of associates and joint ventures accounted for using the equity method | **(448,394)** | (502,577) |
| – Dividend income from financial assets at FVOCI | **(18,573)** | – |
| – Dividend income from available-for-sale financial assets | **–** | (21,415) |
| – Loss on disposal of property, plant and equipment | **41,006** | 16,680 |
| – Gain on disposal of land use rights | **–** | (520) |
| – Loss/(gain) on disposal of intangible assets | **1,115** | (825) |
| – Depreciation of property, plant and equipment | **1,047,450** | 1,003,377 |
| – Amortisation of land use rights | **159,592** | 150,734 |
| – Amortisation of intangible assets | **17,935** | 17,680 |
| – Provision for impairment of available-for-sale financial assets | **–** | 15,195 |
| – Gain on deregistration of subsidiaries | **(2,643)** | – |
| – Net impairment losses on financial assets | **23,123** | 10,105 |
| – Exchange loss/(gain) | **204,319** | (281,470) |
| Changes in working capital: | | |
| – Inventories | **(80,794)** | (65,717) |
| – Trade and other receivables | **(677,250)** | (62,764) |
| – Restricted bank deposits | **28,261** | (34,250) |
| – Trade and other payables | **956,280** | (368,492) |
| – Other long-term liabilities | **3,029** | 622 |
| Cash generated from operations | **2,909,276** | 2,416,553 |

# 26. COMMITMENTS

## (a) Capital commitments

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Contracted but not provided for** | | |
| – Property, plant and equipment | **542,246** | 809,242 |
| – Investment in an associate | **584,734** | 612,925 |
| **Authorised but not contracted for** | | |
| – Property, plant and equipment | **2,638,917** | 3,378,111 |

## (b) Operating lease commitments

As at 31 December 2018, the Group has future aggregate minimum lease payments under non-cancellable operating leases for land, property, plant and equipment and office premises as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Not later than one year | **137,022** | 114,878 |
| Later than one year and not later than five years | **413,633** | 397,408 |
| Later than five years | **715,438** | 857,127 |
| | **1,266,093** | 1,369,413 |

# 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

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| **With Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") and its subsidiaries, associates and joint ventures** | | |
| Sales of goods and services | **119,627** | 126,399 |
| Purchases of goods and services | **745,268** | 733,286 |
| Expenses for rental of land, property, plant and equipment | **216,738** | 188,250 |
| Acquisition of property, plant and equipment | **277,409** | 135,650 |
| **With associates** | | |
| Sales of goods and services | **116,742** | 111,899 |
| Purchases of goods and services | **842,578** | 879,516 |
| Income from rental of land, property, plant and equipment | **37,003** | 3,521 |
| Expenses for rental of property, plant and equipment | **19,917** | 16,641 |
| Interest income | **38,820** | 40,907 |
| Interest expenses | **158,541** | 150,887 |
| Investments in associates | **–** | 11,724 |
| **With joint ventures** | | |
| Sales of goods and services | **67,841** | 82,320 |
| Purchases of goods and services | **111,873** | 103,821 |
| Interest income | **5,225** | 3,510 |
| Investments in joint ventures | **–** | 20,936 |

# 27. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

## (b) Balances with related parties of the Group

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **With Tianjin Port Group and its subsidiaries, associates and joint ventures** | | |
| Trade and other receivables *(Note i)* | **27,085** | 29,958 |
| Trade and other payables *(Note i)* | **330,632** | 280,833 |
| **With associates** | | |
| Trade and other receivables *(Note i)* | **4,785** | 5,214 |
| Trade and other payables *(Note i)* | **58,617** | 62,208 |
| Deposits *(Note ii)* | **3,502,308** | 3,696,394 |
| Borrowings *(Note iii)* | **3,574,208** | 3,732,420 |
| **With joint ventures** | | |
| Trade and other receivables *(Note i)* | **13,970** | 11,785 |
| Trade and other payables *(Note i)* | **14,896** | 13,376 |
| Loan to a joint venture *(Note 15)* | **142,526** | 142,236 |

*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$3,574,208,000 (2017: HK$3,732,420,000), in which the aggregate principal amount of HK$3,307,317,000 (2017: HK$3,528,926,000) are repayable within 5 years and the remaining HK$266,891,000 (2017: HK$203,494,000) are repayable over 5 years. Borrowings from Tianjin Port Finance are unsecured and bear interests at market rates ranging from 2.7% to 4.9% (2017: 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 2018, 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 2018, 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 2018, 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$225 million (2017: HK$207 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 2018, 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$68 million (2017: HK$55 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 financial assets at FVOCI (2017: available-for-sale financial assets) are stated at fair value.

At 31 December 2018, 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$46 million (2017: HK$91 million) as a result of changes in fair value of the listed equity investments classified as financial assets at FVOCI (2017: available-for-sale financial assets).

### 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 2018** | | | | |
| Trade and other payables | **2,937,445** | **–** | **–** | **–** |
| Borrowings | **7,015,491** | **3,422,534** | **5,736,961** | **571,000** |
| | **9,952,936** | **3,422,534** | **5,736,961** | **571,000** |
| **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 |

## 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 2018 was 59.7% (2017: 60.9%).

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 2018, financial instruments included in level 1 and level 3 comprise listed equity securities and unlisted equity securities respectively which classified as financial assets at FVOCI. Listed equity securities amounting of HK$463,320,000 measured at the quoted price and unlisted equity securities amounting of HK$45,791,000 measured by using marketability discount rate derived from management's judgement to estimate their fair value.

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 2018, 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 2018, 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 2018:

| 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.** | RMB1,118,259,100 | 100 | Container handling, 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 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 |

# 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)* | | | |
| 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 |
| **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 2018, 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 2018, 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **3,166** | 3,465 |
| Interests in subsidiaries | **13,993,222** | 16,790,871 |
| Financial assets at FVOCI | **11,000** | – |
| Available-for-sale financial assets | **–** | 24,000 |
| | **14,007,388** | 16,818,336 |
| **Current assets** | | |
| Other receivables | **28,030** | 18,682 |
| Amounts due from subsidiaries | **252,107** | 805,010 |
| Time deposits with maturity over three months | **–** | 442,266 |
| Cash and cash equivalents | **5,253,228** | 2,689,058 |
| | **5,533,365** | 3,955,016 |
| **Total assets** | **19,540,753** | 20,773,352 |
| **EQUITY** | | |
| **Equity attributable to equity holders of the Company** | | |
| Share capital | **615,800** | 615,800 |
| Other reserves *(Note i)* | **12,300,720** | 13,367,425 |
| Retained earnings *(Note ii)* | **2,742,939** | 2,206,682 |
| **Total equity** | **15,659,459** | 16,189,907 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Other payables | **26,697** | 149,086 |
| Amounts due to subsidiaries | **3,854,597** | 4,434,359 |
| **Total liabilities** | **3,881,294** | 4,583,445 |
| **Total equity and liabilities** | **19,540,753** | 20,773,352 |

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf by:

**CHU Bin**
*Director*

**LI Quanyong**
*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 2017 | 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) |
| Dividends | (211,835) | – | – | – | – | (211,835) |
| At 31 December 2017 | **10,601,352** | **1,450,909** | **9,200** | **27,881** | **1,278,083** | **13,367,425** |
| Currency translation differences | **–** | **–** | **–** | **–** | **(724,779)** | **(724,779)** |
| Fair value loss on financial assets at FVOCI | **–** | **–** | **(13,000)** | **–** | **–** | **(13,000)** |
| Dividends | **(309,747)** | **–** | **–** | **–** | **–** | **(309,747)** |
| Lapse of share options | **–** | **–** | **–** | **(19,179)** | **–** | **(19,179)** |
| At 31 December 2018 | **10,291,605** | **1,450,909** | **(3,800)** | **8,702** | **553,304** | **12,300,720** |

ii. Retained earnings of the Company

| | HK$'000 |
|---|---|
| At 1 January 2017 | 660,514 |
| Profit for the year | 1,546,168 |
| At 31 December 2017 | **2,206,682** |
| Profit for the year | **517,078** |
| Lapse of share options | **19,179** |
| At 31 December 2018 | **2,742,939** |

# FIVE YEARS FINANCIAL SUMMARY

## CONSOLIDATED INCOME STATEMENT

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2014<br>HK$'000 | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | **2018**<br>**HK$'000** |
| Revenue | 33,559,969 | 20,541,760 | 16,456,982 | 16,621,811 | **15,871,075** |
| Business tax and surcharge | (74,357) | (65,583) | (39,105) | (18,318) | **(14,800)** |
| Cost of sales | (28,917,206) | (15,817,854) | (11,848,641) | (12,961,777) | **(12,675,629)** |
| Gross profit | 4,568,406 | 4,658,323 | 4,569,236 | 3,641,716 | **3,180,646** |
| Other income and gains | 292,439 | 324,539 | 226,382 | 516,882 | **372,925** |
| Administrative expenses | (2,183,040) | (2,068,313) | (1,979,661) | (1,912,589) | **(1,804,583)** |
| Net impairment losses on financial assets and other operating expenses | (35,220) | (336,423) | (320,216) | (50,760) | **(278,459)** |
| Operating profit | 2,642,585 | 2,578,126 | 2,495,741 | 2,195,249 | **1,470,529** |
| Finance costs | (478,915) | (611,479) | (584,608) | (571,887) | **(616,065)** |
| Share of net profit of associates and joint ventures accounted for using the equity method | 501,463 | 527,502 | 448,108 | 502,577 | **448,394** |
| Profit before income tax | 2,665,133 | 2,494,149 | 2,359,241 | 2,125,939 | **1,302,858** |
| Income tax | (601,496) | (632,142) | (571,717) | (471,273) | **(263,324)** |
| Profit for the year | 2,063,637 | 1,862,007 | 1,787,524 | 1,654,666 | **1,039,534** |
| Profit attributable to: | | | | | |
| Equity holders of the Company | 819,125 | 639,387 | 530,479 | 774,592 | **430,534** |
| Non-controlling interests | 1,244,512 | 1,222,620 | 1,257,045 | 880,074 | **609,000** |
| | 2,063,637 | 1,862,007 | 1,787,524 | 1,654,666 | **1,039,534** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2014<br>HK$'000 | 2015<br>HK$'000 | 2016<br>HK$'000 | 2017<br>HK$'000 | **2018**<br>**HK$'000** |
| Land use rights | 5,834,689 | 5,759,693 | 5,686,092 | 6,334,061 | **5,897,291** |
| Property, plant and equipment | 21,895,298 | 20,493,102 | 18,960,072 | 19,834,777 | **18,803,723** |
| Intangible assets | 51,115 | 48,977 | 65,043 | 69,909 | **60,069** |
| Investments accounted for using the equity method | 5,745,904 | 5,603,976 | 5,421,257 | 5,972,997 | **5,524,722** |
| Financial assets at FVOCI | – | – | – | – | **509,111** |
| Available-for-sale financial assets | 601,279 | 565,065 | 518,458 | 958,574 | **–** |
| Deferred income tax assets | 132,587 | 98,890 | 91,491 | 63,520 | **54,091** |
| Other non-current assets | – | 596,801 | – | – | **–** |
| Current assets | 14,854,505 | 13,285,419 | 11,594,094 | 14,213,586 | **14,621,995** |
| Total assets | 49,115,377 | 46,451,923 | 42,336,507 | 47,447,424 | **45,471,002** |
| Total liabilities | (23,587,820) | (21,830,331) | (18,220,114) | (20,484,587) | **(19,581,570)** |
| Non-controlling interests | (13,521,761) | (13,010,871) | (12,978,991) | (14,237,699) | **(13,665,161)** |
| Shareholders' equity | 12,005,796 | 11,610,721 | 11,137,402 | 12,725,138 | **12,224,271** |

# DEFINITIONS

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

CHU Bin *(Chairman)*
LI Quanyong *(Managing Director)*△
SUN Bin+
WANG Junzhong
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

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

## REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3904-3907, 39/F., Tower Two
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

## INVESTOR RELATIONS

Email: ir@tianjinportdev.com
Tel: (852) 2847 8888
Fax: (852) 2899 2086

## WEBSITE

www.tianjinportdev.com

## 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

Tianjin Port Development Holdings Limited

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