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天津發展控股有限公司  
TIANJIN DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 882)**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **FINANCIAL HIGHLIGHTS**

- Revenue from continuing operations amounted to approximately HK\$5,391,500,000 (2017 (restated): HK\$4,517,607,000).
- Profit attributable to owners of the Company amounted to approximately HK\$471,931,000 (2017: HK\$488,837,000).
- Basic earnings per share were HK43.99 cents (2017: HK45.57 cents).
- Proposed final dividend of HK4.78 cents per share (2017: HK4.55 cents per share), together with interim dividend paid, total dividends for the year amounted to HK8.04 cents per share (2017: HK8.63 cents per share).

### **RESULTS**

The board of directors (the “Board”) of Tianjin Development Holdings Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2018 together with the comparative figures for the corresponding year in 2017 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (restated)
<b>Continuing operations</b>			
Revenue	2	5,391,500	4,517,607
Cost of sales		<u>(3,311,851)</u>	<u>(3,106,094)</u>
Gross profit		2,079,649	1,411,513
Other income	3	330,945	297,395
Other gains, net	4	243,917	104,706
Selling and distribution expenses		(1,127,398)	(644,939)
General and administrative expenses		(539,572)	(651,543)
Other operating expenses		(344,087)	(345,489)
Finance costs	5	(86,227)	(63,434)
Share of profit (loss) of			
Associates		327,854	433,100
Joint ventures		<u>(8,982)</u>	<u>(8,040)</u>
Profit before tax		876,099	533,269
Tax expense	6	<u>(86,630)</u>	<u>(32,219)</u>
Profit for the year from continuing operations	8	789,469	501,050
<b>Electricity business</b>			
Profit for the year from electricity business	7	<u>84,179</u>	<u>77,441</u>
Profit for the year		<u><b>873,648</b></u>	<u><b>578,491</b></u>
Profit for the year attributable to owners of the Company			
– from continuing operations		392,500	415,764
– from electricity business		<u>79,431</u>	<u>73,073</u>
Profit for the year attributable to owners of the Company		<u>471,931</u>	<u>488,837</u>
Profit for the year attributable to non-controlling interests			
– from continuing operations		396,969	85,286
– from electricity business		<u>4,748</u>	<u>4,368</u>
Profit for the year attributable to non-controlling interests		<u>401,717</u>	<u>89,654</u>
		<u><b>873,648</b></u>	<u><b>578,491</b></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic			
– Continuing operations and electricity business		<u>43.99</u>	<u>45.57</u>
– Continuing operations		<u>36.59</u>	<u>38.76</u>
Diluted			
– Continuing operations and electricity business		<u>43.99</u>	<u>45.53</u>
– Continuing operations		<u>36.59</u>	<u>38.73</u>

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

*For the year ended 31 December 2018*

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>873,648</b>	578,491
<b>Other comprehensive (expense) income</b>		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Change in fair value of equity instruments at fair value through other comprehensive income	<b>(349,462)</b>	–
Remeasurement of defined benefit obligations	–	(8,209)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income	<b>48,718</b>	–
Share of other comprehensive expense of an associate		
– fair value through other comprehensive income reserve	<b>(8,323)</b>	–
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences		
– the Group	<b>(550,179)</b>	622,419
– associates	<b>(167,197)</b>	252,165
– joint ventures	<b>(1,429)</b>	2,798
Change in fair value of available-for-sale financial assets	–	(19,517)
Deferred taxation on fair value change of available-for-sale financial assets	–	1,530
Share of other comprehensive income of an associate		
– available-for-sale financial assets revaluation reserve	–	21,244
Other comprehensive (expense) income for the year	<b>(1,027,872)</b>	872,430
Total comprehensive (expense) income for the year	<b>(154,224)</b>	1,450,921
Attributable to:		
Owners of the Company	<b>(149,062)</b>	1,119,158
Non-controlling interests	<b>(5,162)</b>	331,763
	<b>(154,224)</b>	1,450,921

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,334,259	4,729,552
Land use rights		367,572	496,571
Investment properties		190,895	177,698
Interests in associates	<i>11</i>	5,324,496	5,013,540
Interests in joint ventures		28,081	38,492
Intangible assets		17,854	78,717
Deposits paid for acquisition of property, plant and equipment		8,719	21,182
Deferred tax assets		44,785	93,409
Available-for-sale financial assets	<i>12</i>	–	415,646
Equity instruments at fair value through other comprehensive income	<i>12</i>	2,114,590	–
Goodwill		1,427	1,495
		<u>11,432,678</u>	<u>11,066,302</u>
<b>Current assets</b>			
Inventories		910,342	586,705
Amounts due from joint ventures		54,001	54,634
Amount due from an associate		175,117	–
Amount due from ultimate holding company		284	260
Amounts due from related companies		59,236	48,038
Contract assets		379,799	–
Amounts due from customers for contract work		–	572,533
Trade receivables	<i>13</i>	544,730	921,465
Notes receivables	<i>13</i>	361,169	334,108
Other receivables, deposits and prepayments	<i>14</i>	581,721	590,998
Financial assets at fair value through profit or loss		463,186	388,603
Structured deposits	<i>15</i>	52,179	–
Entrusted deposits	<i>16</i>	457,160	645,933
Restricted bank balances		231,063	94,496
Time deposits with maturity over three months		1,888,560	1,403,018
Cash and cash equivalents		3,981,992	5,898,551
		<u>10,140,539</u>	<u>11,539,342</u>
Assets classified as held for sale			
– electricity business	<i>7</i>	1,428,237	–
		<u>11,568,776</u>	<u>11,539,342</u>
<b>Total assets</b>		<u><u>23,001,454</u></u>	<u><u>22,605,644</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	<b>2017</b> <b>HK\$'000</b>
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital	17	5,136,285	5,136,285
Reserves		<u>6,180,714</u>	<u>5,840,170</u>
		<b>11,316,999</b>	10,976,455
<b>Non-controlling interests</b>		<u>4,783,834</u>	<u>3,770,735</u>
<b>Total equity</b>		<u><b>16,100,833</b></u>	<u><b>14,747,190</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Defined benefit obligations		–	53,650
Deferred income		–	107,826
Bank borrowings	18	–	1,856,616
Deferred tax liabilities		<u>301,663</u>	<u>37,772</u>
		<b>301,663</b>	2,055,864
<b>Current liabilities</b>			
Trade payables	19	987,954	1,243,866
Notes payables	19	97,533	77,031
Other payables and accruals	20	1,335,665	2,775,699
Amounts due to related companies		434,446	824,228
Contract liabilities		1,154,721	–
Amounts due to customers for contract work		–	230,432
Bank borrowings	18	2,156,606	491,879
Current tax liabilities		<u>148,074</u>	<u>159,455</u>
		<b>6,314,999</b>	5,802,590
Liabilities associated with assets classified as held for sale – electricity business	7	<u>283,959</u>	<u>–</u>
		<b>6,598,958</b>	5,802,590
<b>Total liabilities</b>		<u><b>6,900,621</b></u>	<u><b>7,858,454</b></u>
<b>Total equity and liabilities</b>		<u><b>23,001,454</b></u>	<u><b>22,605,644</b></u>
<b>Net current assets</b>		<u><b>4,969,818</b></u>	<u><b>5,736,752</b></u>
<b>Total assets less current liabilities</b>		<u><b>16,402,496</b></u>	<u><b>16,803,054</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements have been prepared under the historical cost basis, except for equity instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties, which are measured at fair value. The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

The financial information relating to the years ended 31 December 2017 and 2018 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The independent auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

#### *New and amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the entity’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

	31 December 2017 <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 January 2018 <i>HK\$'000</i> (restated)
<b>Non-current assets</b>				
Available-for-sale financial assets	415,646	–	(415,646)	–
Equity instruments at fair value through other comprehensive income	–	–	2,654,874	2,654,874
<b>Current assets</b>				
Inventories	586,705	381,814	–	968,519
Trade receivables	921,465	(90,206)	(105,375)	725,884
Contract assets	–	476,564	(18,133)	458,431
Amounts due from customers for contact work	572,533	(572,533)	–	–
<b>Equity</b>				
Fair value through other comprehensive income reserve (included in other reserves)	99,171	–	684,077	783,248
Retained earnings	5,516,100	(21,796)	(91,262)	5,403,042
Non-controlling interests	3,770,735	(11,783)	1,186,160	4,945,112
<b>Non-current liability</b>				
Deferred tax liabilities	37,772	–	336,745	374,517
<b>Current liabilities</b>				
Contract liabilities	–	1,468,832	–	1,468,832
Other payables and accruals	2,775,699	(1,003,256)	–	1,772,443
Amounts due to customers for contract work	230,432	(230,432)	–	–
Current tax liabilities	159,455	(5,926)	–	153,529

### *New and amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

## 2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers (“CODM”). The CODM assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services. The accounting policies of the reportable segments are the same as those described in the basis of preparation and accounting policies. The following summary describes the operation in each of the Group’s reportable segments.

(a) Utilities

This segment derives revenue from distribution of electricity, water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area (“TEDA”), the People’s Republic of China (the “PRC”).

(b) Pharmaceutical

This segment derives revenue from manufacture and sale of pharmaceutical products and the provision of pharmaceutical research and development services as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

(c) Hotel

This segment derives revenue from operation of a hotel in Hong Kong.

(d) Electrical and mechanical

This segment derives revenue from manufacture and sale of presses, mechanical and hydroelectric equipment as well as large scale pump units.

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port Development Holdings Limited (“Tianjin Port”), which provides port services in Tianjin.

(f) Elevators and escalators

The result of this segment is contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited (“Otis China”), which manufactures and sells elevators and escalators.



2. SEGMENT INFORMATION (continued)

For the year ended 31 December 2018

	Continuing operations						Electricity business	Total operating segments	
	Utilities-water, heat and thermal power (note (i)) HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Sub-total HK\$'000		Utilities-electricity HK\$'000
Segment revenue									
– external customers	<u>1,444,062</u>	<u>2,574,809</u>	<u>127,739</u>	<u>1,244,890</u>	–	–	<u>5,391,500</u>	<u>2,494,362</u>	<u>7,885,862</u>
Operating profit (loss) before interest	62,725	255,127	33,936	(82,341)	–	–	269,447	91,637	361,084
Interest income	11,842	59,313	13	6,053	–	–	77,221	8,895	86,116
Gain on disposal of subsidiaries	–	622,323	–	–	–	–	622,323	–	622,323
Impairment loss on property, plant and equipment	–	(2,544)	–	(40,506)	–	–	(43,050)	–	(43,050)
Impairment loss on interests in associates	–	(8,711)	–	–	(300,000)	–	(308,711)	–	(308,711)
Finance costs	–	(16,034)	–	(14,611)	–	–	(30,645)	–	(30,645)
Share of profit (loss) of associates	–	(9,739)	–	–	90,330	241,969	322,560	–	322,560
Profit (loss) before tax	<u>74,567</u>	<u>899,735</u>	<u>33,949</u>	<u>(131,405)</u>	<u>(209,670)</u>	<u>241,969</u>	<u>909,145</u>	<u>100,532</u>	<u>1,009,677</u>
Tax expense	<u>(5,461)</u>	<u>(48,521)</u>	<u>(5,593)</u>	<u>(7,284)</u>	–	–	<u>(66,859)</u>	<u>(16,353)</u>	<u>(83,212)</u>
Segment results									
– profit (loss) for the year	<u>69,106</u>	<u>851,214</u>	<u>28,356</u>	<u>(138,689)</u>	<u>(209,670)</u>	<u>241,969</u>	<u>842,286</u>	<u>84,179</u>	<u>926,465</u>
Non-controlling interests	<u>(6,150)</u>	<u>(361,086)</u>	–	<u>15,723</u>	–	<u>(41,764)</u>	<u>(393,277)</u>	<u>(4,748)</u>	<u>(398,025)</u>
Profit (loss) attributable to owners of the Company	<u><u>62,956</u></u>	<u><u>490,128</u></u>	<u><u>28,356</u></u>	<u><u>(122,966)</u></u>	<u><u>(209,670)</u></u>	<u><u>200,205</u></u>	<u><u>449,009</u></u>	<u><u>79,431</u></u>	<u><u>528,440</u></u>
Segment results									
– profit (loss) for the year includes:									
Depreciation and amortisation	<u><u>45,119</u></u>	<u><u>111,165</u></u>	<u><u>15,219</u></u>	<u><u>69,734</u></u>	–	–	<u><u>241,237</u></u>	<u><u>51,878</u></u>	<u><u>293,115</u></u>

## 2. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2017

	Continuing operations						Electricity business	Total operating segments HK\$'000	
	Utilities- water, heat and thermal power <i>(note (i))</i> HK\$'000 (restated)	Pharma- ceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Sub-total HK\$'000 (restated)		Utilities- electricity HK\$'000 (restated)
Segment revenue									
– external customers	1,395,844	1,877,771	116,724	1,127,268	–	–	4,517,607	2,470,238	6,987,845
Operating profit (loss) before interest	48,804	168,529	22,175	(181,881)	–	–	57,627	108,546	166,173
Interest income	12,299	25,599	7	12,608	–	–	50,513	12,458	62,971
Gain on fair value change of a financial asset at fair value through profit or loss	–	73,561	–	–	–	–	73,561	–	73,561
Impairment loss on property, plant and equipment	–	(21,029)	–	–	–	–	(21,029)	–	(21,029)
Impairment loss on intangible assets	–	–	–	(57,919)	–	–	(57,919)	–	(57,919)
Finance costs	–	(11,613)	–	(11,532)	–	–	(23,145)	–	(23,145)
Share of profit (loss) of associates	–	(2,729)	–	–	162,665	266,739	426,675	–	426,675
Profit (loss) before tax	61,103	232,318	22,182	(238,724)	162,665	266,739	506,283	121,004	627,287
Tax (expense) credit	(7,232)	(16,295)	(3,659)	3,253	–	–	(23,933)	(43,563)	(67,496)
Segment results									
– profit (loss) for the year	53,871	216,023	18,523	(235,471)	162,665	266,739	482,350	77,441	559,791
Non-controlling interests	(4,823)	(85,926)	–	54,966	–	(46,039)	(81,822)	(4,368)	(86,190)
Profit (loss) attributable to owners of the Company	<u>49,048</u>	<u>130,097</u>	<u>18,523</u>	<u>(180,505)</u>	<u>162,665</u>	<u>220,700</u>	<u>400,528</u>	<u>73,073</u>	<u>473,601</u>
Segment results									
– profit (loss) for the year includes:									
Depreciation and amortisation	<u>37,370</u>	<u>123,293</u>	<u>17,256</u>	<u>72,923</u>	<u>–</u>	<u>–</u>	<u>250,842</u>	<u>41,811</u>	<u>292,653</u>

## 2. SEGMENT INFORMATION (continued)

	2018 HK\$'000	2017 HK\$'000
Reconciliation of profit for the year		
Total reportable segments	926,465	559,791
Corporate and others (note (ii))	<u>(52,817)</u>	<u>18,700</u>
Profit for the year	<u><u>873,648</u></u>	<u><u>578,491</u></u>

notes:

- (i) Revenue from supply of water and heat and thermal power to external customers amounted to HK\$380,481,000 and HK\$1,063,581,000 respectively (2017: HK\$372,253,000 and HK\$1,023,591,000 respectively).

The above revenue included government supplemental income of HK\$170,553,000 (2017: HK\$185,566,000).

- (ii) These principally include (a) results of the Group's other non-core businesses which are not categorised as reportable segments; and (b) corporate level activities including central treasury management, administrative function and exchange gain or loss.

### Segment assets and liabilities

#### As at 31 December 2018

	Continuing operations						Electricity business	Total operating segments HK\$'000	Corporate and others (note) HK\$'000	Total HK\$'000	
	Utilities-water, heat and thermal power HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Sub-total HK\$'000				Utilities-electricity HK\$'000
Segment assets	<u>2,125,314</u>	<u>7,997,889</u>	<u>532,572</u>	<u>2,555,404</u>	<u>3,386,239</u>	<u>760,006</u>	<u>17,357,424</u>	<u>1,428,237</u>	<u>18,785,661</u>	<u>4,215,793</u>	<u>23,001,454</u>
Segment liabilities	<u>1,533,294</u>	<u>1,258,997</u>	<u>11,793</u>	<u>1,844,470</u>	<u>-</u>	<u>-</u>	<u>4,648,554</u>	<u>283,959</u>	<u>4,932,513</u>	<u>1,968,108</u>	<u>6,900,621</u>

#### As at 31 December 2017

	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000	Corporate and others (note) HK\$'000	Total HK\$'000
	Segment assets	<u>4,014,891</u>	<u>6,390,381</u>	<u>561,495</u>	<u>2,963,813</u>	<u>3,791,018</u>	<u>854,587</u>	<u>18,576,185</u>	<u>4,029,459</u>
Segment liabilities	<u>2,356,381</u>	<u>1,571,938</u>	<u>14,324</u>	<u>1,980,328</u>	<u>-</u>	<u>-</u>	<u>5,922,971</u>	<u>1,935,483</u>	<u>7,858,454</u>

note:

The balances represent assets and liabilities relating to corporate and other non-core businesses which are not categorised as reportable segments and principally include the attributable cash and cash equivalents, time deposits with maturity over three months, entrusted deposits, financial assets at fair value through profit or loss, property, plant and equipment, investment properties, available-for-sale financial assets/equity instruments at fair value through other comprehensive income, interests in certain associates and bank borrowings.

## 2. SEGMENT INFORMATION *(continued)*

### Other segment information

An analysis of the Group's revenue by geographical location of the operations of the relevant subsidiaries is as follows:

	2018 <i>HK'000</i>	2017 <i>HK'000</i> (restated)
The PRC	5,263,761	4,400,883
Hong Kong	<u>127,739</u>	<u>116,724</u>
Continuing operations	<u>5,391,500</u>	<u>4,517,607</u>
Electricity business – the PRC	<u>2,494,362</u>	<u>2,470,238</u>

The Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The PRC	8,811,114	10,085,261
Hong Kong	<u>462,189</u>	<u>471,986</u>
	<u>9,273,303</u>	<u>10,557,247</u>

## 3. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
Interest income	190,851	131,369
Government grants	28,763	92,992
Dividend income from available-for-sale financial assets	–	23,531
Dividend income from equity instruments at fair value through other comprehensive income	17,836	–
Rental income under operating leases, net of negligible outgoings	6,390	4,643
Sales of scrap materials	4,914	2,075
Sundries	<u>82,191</u>	<u>42,785</u>
	<u>330,945</u>	<u>297,395</u>

#### 4. OTHER GAINS, NET

	<i>notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000 (restated)
<b>Continuing operations</b>			
Impairment loss on interests in associates	(a)	<b>(308,711)</b>	–
Impairment loss on intangible assets		–	(57,919)
Impairment loss on property, plant and equipment		<b>(43,050)</b>	(21,029)
Net gain on disposal/written off of property, plant and equipment		<b>1,044</b>	2,173
Net exchange (loss) gain		<b>(43,049)</b>	82,412
(Reversal of) impairment losses on			
– trade receivables		<b>53,955</b>	(6,060)
– contract assets		<b>(43,406)</b>	–
– other receivables		<b>997</b>	(252)
Allowance for inventories		–	(2,380)
Gain on disposal of subsidiaries	(b)	<b>622,323</b>	11,392
Gain on fair value change of a financial asset at fair value through profit or loss		–	73,561
Increase in fair value of investment properties		<b>28,453</b>	–
Net fair value gain (loss) on financial assets held for trading			
– listed		<b>5,543</b>	734
– unlisted		<b>(30,182)</b>	22,074
		<b>243,917</b>	<b>104,706</b>

*notes:*

- (a) Due to the carrying value of the Group's interest in a listed associate - Tianjin Port, including goodwill, exceeded its market value at the end of the reporting period, the Group has carried out an impairment assessment and recognised an impairment loss of HK\$300,000,000 with respect to the interest in Tianjin Port for the year ended 31 December 2018.
- (b) On 6 August 2018, TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) ("Jinhao Pharmaceutical"), an indirect non-wholly owned subsidiary of the Company, entered into a joint cooperation agreement with Tianjin China Merchants Tianhe Pharmaceutical Technology Development Partnership (limited partnership) (天津招商天合醫藥科技發展合夥企業(有限合夥)) ("China Merchants Tianhe") in relation to the disposal of part of the equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute") by Jinhao Pharmaceutical to China Merchants Tianhe through a combination of (i) China Merchants Tianhe, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 by way of cash contribution into Research Institute, in which, RMB33,889,796 will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 will be contributed towards the capital reserve of Research Institute; and (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to China Merchants Tianhe for a consideration of RMB399,270,000 (the "Disposal"). Upon the completion of the Disposal on 31 October 2018, Research Institute was held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe, and the Group recognised a Disposal gain of HK\$622,323,000.

## 5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest expenses on bank borrowings	84,936	63,691
Interest expenses on amount due to a related company	<u>4,545</u>	<u>2,175</u>
	89,481	65,866
Less: Amounts capitalised on construction in progress (included in property, plant and equipment)	<u>(3,254)</u>	<u>(2,432)</u>
	<u><u>86,227</u></u>	<u><u>63,434</u></u>

## 6. TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (restated)
<b>Continuing operations</b>		
Current taxation		
PRC Enterprise Income Tax ("EIT")	76,182	33,022
Deferred taxation	<u>10,448</u>	<u>(803)</u>
	<u><u>86,630</u></u>	<u><u>32,219</u></u>

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2017: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for certain PRC subsidiaries which are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

## 7. ELECTRICITY BUSINESS

On 6 December 2018, Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“TEDA Power”) and Tianjin TEDA Tsinlien Electric Power Co., Ltd. (天津泰達津聯電力有限公司) (“Tsinlien Electric”) entered into the absorption and merger agreement, pursuant to which TEDA Power will absorb and merge with Tsinlien Electric, and TEDA Power will be the surviving company upon completion of the merger and will take up and assume all the assets, liabilities and business operations of Tsinlien Electric. Tsinlien Electric will then be deregistered and cease to exist as a legal entity. Upon the completion of merger, TEDA Power will be owned as to approximately 47.09% and 52.91% by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司).

The assets and liabilities attributable to Tsinlien Electric, which are expected to be merged into TEDA Power within 12 months from the end of the reporting period, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The profit for the year from electricity business is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present electricity business as a discontinued operation.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	2,494,362	2,470,238
Cost of sales	<u>(2,333,653)</u>	<u>(2,268,010)</u>
Gross profit	160,709	202,228
Other income	9,491	13,149
Other gains, net	16,625	5,349
Selling and distribution expenses	(19,899)	(20,720)
General and administrative expenses	(60,776)	(74,112)
Other operating expenses	<u>(5,618)</u>	<u>(4,890)</u>
Profit before tax	100,532	121,004
Tax expense	<u>(16,353)</u>	<u>(43,563)</u>
Profit for the year	<u><u>84,179</u></u>	<u><u>77,441</u></u>
Attributable to:		
Owner of the Company	79,431	73,073
Non-controlling interests	<u>4,748</u>	<u>4,368</u>
	<u><u>84,179</u></u>	<u><u>77,441</u></u>

The major classes of assets and liabilities of the electricity business as at 31 December 2018, which have been presented separately in the consolidated statement of financial position, are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	470,610
Land use rights	12,757
Deferred tax assets	30,162
Inventories	22
Trade receivables	49,611
Other receivables, deposits and prepayments	14,237
Time deposits with maturity over three months	349,438
Cash and cash equivalents	<u>501,400</u>
Total assets classified as held for sale	<u><u>1,428,237</u></u>
Trade and other payables and total liabilities associated with assets classified as held for sale	<u><u>(283,959)</u></u>

## 8. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (restated)
Profit for the year from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	763,470	858,261
Cost of inventories recognised as an expense	2,296,775	1,661,141
Depreciation		
– charged to cost of sales	151,979	158,917
– charged to administrative expenses	68,703	62,945
– charged to selling expenses	993	1,032
– charged to other operating expenses	23,838	17,256
Amortisation of land use rights	8,287	11,646
Amortisation of intangible assets	259	13,316
Operating lease expenses on		
– plants, pipelines and networks	70,949	64,794
– land and buildings	10,264	14,536
Auditor's remuneration	11,297	11,023
Share-based payment expense	–	19,362
Research and development costs charged to other operating expenses	313,988	283,257
	<u>313,988</u>	<u>283,257</u>

## 9. EARNINGS PER SHARE

*For continuing operations and electricity business*

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share		
– from continuing operations and electricity business	471,931	488,837
	<u>471,931</u>	<u>488,837</u>
<b>Number of shares</b>	<i>Thousand</i>	<i>Thousand</i>
Number of ordinary shares for the purpose of basic earnings per share	1,072,770	1,072,770
Effect of dilutive potential ordinary shares: Share options	–	855
	<u>–</u>	<u>855</u>
Weighted average number of ordinary shares taking account of the share options for the purpose of diluted earnings per share	1,072,770	1,073,625
	<u>1,072,770</u>	<u>1,073,625</u>



## 9. EARNINGS PER SHARE (continued)

### *For continuing operations*

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share		
– from continuing operations	<u>392,500</u>	<u>415,764</u>

### *For electricity business*

Basic earnings per share for the electricity business is HK7.40 cents per share (2017: HK6.81 cents per share) and diluted earnings per share for the electricity business is HK7.40 cents per share (2017: HK6.80 cents per share) based on the profit for the year from the electricity business attributable to owners of the Company of HK\$79,431,000 (2017: HK\$73,073,000) and the denominators used for the calculation of basic and diluted earnings per share for both continuing operations and electricity business are the same.

## 10. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
– 2018 interim dividend, paid HK3.26 cents per share (2017: HK4.08 cents per share)	34,972	43,769
– 2017 final dividend, paid HK4.55 cents per share (2016: HK5.09 cents per share)	<u>48,811</u>	<u>54,604</u>
	<u>83,783</u>	<u>98,373</u>

A final dividend of HK4.78 cents per share for the year ended 31 December 2018, amounting to approximately HK\$51,278,400, has been proposed by the Board of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

## 11. INTERESTS IN ASSOCIATES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The Group's interests in associates		
– Listed shares in Hong Kong		
– Tianjin Port	3,386,239	3,791,018
– Unlisted shares in the PRC		
– Otis China	760,006	854,587
– Research Institute	855,215	–
– Others	<u>323,036</u>	<u>367,935</u>
	<u>5,324,496</u>	<u>5,013,540</u>

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Equity securities</b>			
Listed, at market value	(a)	85,098	107,823
Unlisted	(b)	<u>2,029,492</u>	<u>307,823</u>
		<u><b>2,114,590</b></u>	<u><b>415,646</b></u>

notes:

- (a) The listed securities mainly represent the Group's 4.69% (2017: 4.23%) equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2018, the market value of the Group's equity interest in Binhai Investment was HK\$68,863,000 (2017: HK\$85,841,000) and the unrealised fair value loss of HK\$26,794,000 (2017: HK\$13,397,000) was recognised in other comprehensive income.

- (b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. At the date of initial application of HKFRS 9, the unlisted equity instruments previously measured at cost less impairment under HKAS 39 are now measured at fair value.

## 13. TRADE RECEIVABLES AND NOTES RECEIVABLES

The ageing analysis of the Group's trade and notes receivables (net of allowance) is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	329,280	515,399
31 to 90 days	167,731	154,673
91 to 180 days	213,645	124,946
181 to 365 days	101,687	283,960
Over 1 year	<u>93,556</u>	<u>176,595</u>
	<u><b>905,899</b></u>	<u><b>1,255,573</b></u>

Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 days are granted to corporate customers of the Group's hotel business; (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (iii) 30 to 180 days are granted to customers in the pharmaceutical segment. No credit terms are granted to customers in the utilities segment.

Annual government supplemental income receivables do not have credit terms and the amounts are finalised by the TEDA Finance Bureau each financial year. Continuous settlements have been received by the Group over the years.

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

#### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Entrusted loan ( <i>note</i> )	34,247	35,885
Profit guarantee arrangement	–	118,287
Others	<u>547,474</u>	<u>436,826</u>
	<u><u>581,721</u></u>	<u><u>590,998</u></u>

*note:*

The amount represented an entrusted loan to one government-related corporate borrower in the PRC through one PRC financial institution and the outstanding amount is repayable within one year with a variable interest rate at RMB benchmark lending rate plus 1.2% (effectively 4.4%) per annum (2017: a fixed rate at 6% per annum).

#### 15. STRUCTURED DEPOSITS

As at 31 December 2018, the Group placed in one licensed commercial bank in the PRC for principal-protected RMB-denominated structured deposits with maturity within 1 month after the end of the reporting period. The expected annual interest rate for the structured deposits is indicated at 2.55% to 3.15%, however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss under HKFRS 9.

#### 16. ENTRUSTED DEPOSITS

As at 31 December 2018, the entrusted deposits were placed with three financial institutions (2017: four financial institutions) in the PRC, with maturity from 3 to 17 months (2017: 4 to 29 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.3% to 8.5% (2017: 5.6% to 6.9%) per annum.

Contracts with maturity over one year confer the Group rights of early redemption at amortised cost, before the maturity date. Accordingly, those deposits were classified as current assets.

At the date of initial application of HKFRS 9, the entrusted deposits previously classified as loans and receivables and measured at amortised cost under HKAS 39 are now classified as financial assets at fair value through profit or loss and measured at fair value.

#### 17. SHARE CAPITAL

	<b>Number of shares <i>Thousand</i></b>	<b>Value <i>HK\$'000</i></b>
Issued and fully paid ordinary shares with no par value: At 1 January 2017, 31 December 2017 and 2018	<u>1,072,770</u>	<u>5,136,285</u>

## 18. BANK BORROWINGS

The Group raised new borrowings of HK\$362,559,000 and repaid the loans of HK\$407,035,000 during the year.

As at 31 December 2018, HK\$2,156,606,000 of borrowings were payable within one year and carried interest rates at 3.43% to 6.00% (2017: 2.80% to 6.55%) per annum.

## 19. TRADE PAYABLES AND NOTES PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	323,639	423,581
31 to 90 days	195,592	190,381
91 to 180 days	118,582	203,238
Over 180 days	447,674	503,697
	<u>1,085,487</u>	<u>1,320,897</u>

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

## 20. OTHER PAYABLES AND ACCRUALS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Receipts in advance	–	1,003,256
Accruals	642,466	839,339
Other payables	693,199	933,104
	<u>1,335,665</u>	<u>2,775,699</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Utilities

The Group's utility businesses are mainly operated in the TEDA through supplying electricity, water, heat and thermal power to industrial, commercial and residential customers.

TEDA, located at the centre of Bohai economic rim, is a national development zone and an ideal place for manufacturing and R&D developments. TEDA plays a leading role over the past three decades in Tianjin's economic development.

#### *Electricity*

Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") is principally engaged in supply of electricity in TEDA. It also provides services in relation to maintenance of power supply equipment and technical consultancy. Currently the installed transmission capacity of Electricity Company is approximately 706,000 kVA (2017: 706,000 kVA).

In 2018, revenue from the Electricity Company was approximately HK\$2,494.4 million, an increase of 1% from HK\$2,470.2 million last year. Profit increased HK\$6.8 million to approximately HK\$84.2 million from HK\$77.4 million last year. This was primarily due to higher volumes of electricity sold and lower operating costs, partly offset by lower operating margins as a result of the decline in electricity tariff. The total quantity of electricity sold for the year was approximately 3,171,237,000 kWh, an increase of 9.7% over last year.

On 6 December 2018, Electricity Company and Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) ("TEDA Power") entered into the absorption and merger agreement, pursuant to which, TEDA Power will absorb and merger with Electricity Company, and TEDA Power will be the surviving company upon completion of the merger and will take up and assume all the assets, liabilities and business operations of Electricity Company. Electricity Company will then be deregistered and ceased to exist as a legal entity. Upon the completion of merger, TEDA Power will be owned as to approximately 47.09% and 52.91% by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) respectively, and the Group will continue to participate in the electricity business through its 47.09% equity interest in TEDA Power. Details of the merger were set out in the announcement and the circular of the Company dated 6 December 2018 and 31 January 2019 respectively.

#### *Water*

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It also provides services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 425,000 tonnes (2017: 425,000 tonnes).

In 2018, revenue from the Water Company was approximately HK\$380.5 million, an increase of 2.2% from HK\$372.3 million last year. The Water Company recorded a profit of approximately HK\$23.6 million, an increase of HK\$11.3 million from HK\$12.3 million in 2017. This was mainly attributable to higher volumes of water sold and lower operating costs, partly offset by decrease in government supplemental income. The total quantity of water sold for the year was approximately 55,223,000 tonnes, representing an increase of 3.9% over last year.

## ***Heat and Thermal Power***

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (“Heat & Power Company”) is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 462 kilometres (2017: 360 kilometres) and more than 120 processing stations (2017: 105 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2018, the Heat and Power Company reported revenue of approximately HK\$1,063.6 million, an increase of 3.9% from HK\$1,023.6 million last year. Profit from the Heat and Power Company was approximately HK\$45.5 million, an increase of 9.4% from HK\$41.6 million in 2017. The increase in profit was primarily due to higher volumes of steam sold. The total quantity of steam sold for the year was approximately 3,529,000 tonnes, representing an increase of 6.5% over last year.

## ***Pharmaceutical***

Pharmaceutical segment is principally engaged in the production and sale of chemical drugs, and research and development of new medicine technology and new products as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

In 2018, revenue from pharmaceutical segment was approximately HK\$2,574.8 million, an increase of 37.1% from HK\$1,877.8 million last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$2,357.2 million, an increase of 43.1% from HK\$1,647.7 million in 2017. Revenue from provision of research and development services and other pharmaceutical related operations was approximately HK\$119.4 million, a decrease of 7.9% over last year. Revenue from sale of packaging materials amounted to approximately HK\$98.2 million, broadly maintained at the same level of previous year.

On 6 August 2018, TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) (“Jinhao Pharmaceutical”), an indirect non-wholly owned subsidiary of the Company, entered into a joint cooperation agreement with Tianjin China Merchants Tianhe Pharmaceutical Technology Development Partnership (limited partnership) (天津招商天合醫藥科技發展合夥企業(有限合夥)) (“China Merchants Tianhe”) in relation to the disposal of part of the equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“Research Institute”) by Jinhao Pharmaceutical to China Merchants Tianhe through a combination of (i) China Merchants Tianhe, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 by way of cash contribution into Research Institute, in which, RMB33,889,796 will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 will be contributed towards the capital reserve of Research Institute; and (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to China Merchants Tianhe for a consideration of RMB399,270,000 (the “Disposal”). Upon the completion of the Disposal on 31 October 2018, Research Institute was held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe, and the Group recognised a Disposal gain of HK\$622,323,000. The Group continues to participate in the business of research and development of new medicine technology and new products through its 35% equity interest in Research Institute after the Disposal. Details of the Disposal were disclosed in the Company’s announcements dated 29 May 2018 and 6 August 2018 and circular dated 10 September 2018 respectively.

If not taking into account the Disposal gain and the fair value gain of HK\$73.6 million in respect of profit guarantee and impairment charge of HK\$21 million on property, plant and equipment in 2017, profit from pharmaceutical segment amounted to approximately HK\$228.9 million, an increase of HK\$65.4 million from HK\$163.5 million last year on the like-for-like basis. This result was largely driven by revenue growth and higher operating margins in sale of pharmaceutical products as well as lower administrative expenses, partly offset by higher selling and distribution expenses, particularly in connection with the business exploration and sales network expansion.

### ***Hotel***

Courtyard by Marriott Hong Kong (“Courtyard Hotel”), situated in a prime location on the Hong Kong Island, is a 4-star hotel with 245 guest rooms. It is positioned as an ideal lodge for business and leisure travellers.

In 2018, Courtyard Hotel reported revenue of approximately HK\$127.7 million, and increase of 9.4% from HK\$116.7 million last year. Profit increased 53.5% to approximately HK\$28.4 million from HK\$18.5 million in 2017. The average room rate increased slightly and the average occupancy rate was approximately 91.2%, three percentage points improvement over last year.

### ***Electrical and Mechanical***

Electrical and mechanical segment is principally engaged in the manufacture and sale of presses, mechanical and hydroelectric equipment as well as large scale pump units in the PRC.

In 2018, revenue from electrical and mechanical segment was approximately HK\$1,244.9 million, representing an increase of 10.4% over last year. Loss from electrical and mechanical segment was approximately HK\$138.7 million compared to HK\$235.5 million in last year. Stripping out the gain of HK\$47.4 million on additional compensation in connection with plant relocation and impairment charge of HK\$40.5 million on property, plant and equipment made related to hydroelectric equipment business, the loss would have been approximately HK\$145.6 million, compared to a loss of HK\$177.6 million in 2017 on a like-for-like basis. The result was primarily attributable to narrow operating margins in hydroelectric equipment business and higher distribution expenses, partly offset by lower construction contracts cost estimate adjustments incurred in hydroelectric equipment business.

## **Strategic and Other Investments**

### ***Port Services***

As at 31 December 2018, the Group has 21% equity interest in Tianjin Port Development Holdings Limited (“Tianjin Port”) (stock code: 3382). Tianjin Port is engaged in the provision of port services including container and cargo handling services, sales and other port ancillary services in Tianjin, the PRC.

During the year, the revenue of Tianjin Port decreased by 4.5% to approximately HK\$15,871.1 million and profit attributable to owners of Tianjin Port was approximately HK\$430.1 million, representing a decline of 44.4% compared with 2017.

Tianjin Port contributed to the Group a profit of approximately HK\$90.3 million, representing a decrease of 44.5% over last year. The Group carried out an impairment assessment for its equity interest in Tianjin Port which has an impairment indicator and as a result an impairment loss of HK\$300 million has been recognised in the consolidated income statement for the year.

### ***Elevators and Escalators***

As at 31 December 2018, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited (“Otis China”). Otis China is engaged in the manufacture and sale of elevators and escalators in the PRC.

During the year, the revenue of Otis China amounted to approximately HK\$19,152.5 million, representing an increase of 7.4% compared with 2017.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$200.2 million, representing a decline of 9.3% over last year.

### ***Investment in Binhai Investment Company Limited***

As at 31 December 2018, the Group has 4.69% equity interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 2886) and on that date, the market value of the Group’s interest in Binhai Investment was approximately HK\$68.9 million (2017: approximately HK\$85.8 million) and the unrealised fair value loss of approximately HK\$26.8 million (2017: a loss of approximately HK\$13.4 million) was recognised in other comprehensive expense.

## **PROSPECT**

Looking forward to 2019, the pace of economic recovery in the world’s leading economies is expected to slow down. Trade protectionism is growing and financial market risks have been piling up. Geopolitical conflicts are occurring constantly. The external environment will face more complex and severe challenges. The Chinese economy is at the crucial stage of restructuring while economic downward pressure persists. Nevertheless, the long term favourable fundamentals of China’s economy remain unchanged, and it is expected that the gradual implementation of various measures will give new impetus to optimise the economic structure and improve the quality of economic development.

Following the deepening reform of state-owned enterprises, it will provide development opportunities for the Company’s subsidiaries in participating the diversification of ownership structure. In the competitive and challenging environment, our solid business foundation and financial strength will enable the Company to meet any development opportunities and challenges ahead.

## **LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK**

As at 31 December 2018, the Group’s total cash on hand and total bank borrowings stood at approximately HK\$6,952.5 million and HK\$2,156.6 million respectively (2017: approximately HK\$7,396.1 million and HK\$2,348.5 million respectively).

The Group’s sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$2,156.6 million (2017: approximately HK\$491.9 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders’ funds was at approximately 19% as at 31 December 2018 (2017: approximately 21%).



Of the total HK\$2,156.6 million bank borrowings outstanding as at 31 December 2018, HK\$1,795.9 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods, RMB306 million (equivalent to approximately HK\$349.3 million) were fixed-rate debts with annual interest rates at 4.35% to 6.00%, and RMB10 million (equivalent to approximately HK\$11.4 million) were floating-rate debts with annual interest rates at 4.9%.

As at 31 December 2018, 83.3% (2017: 76.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 16.7% (2017: 23.7%) was denominated in Renminbi.

The Group's activities expose it to a variety of financial risks. The major financial assets and financial liabilities of the Group include cash and cash equivalents, entrusted deposits, other financial assets and bank borrowings. The Group's financial risk management is aimed at mitigating the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's interest rate, foreign currency and credit risk exposures. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

During the year, the Group has not entered into any derivative contracts or hedging transactions. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and shall consider hedging foreign currency exposure should the need arise.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2018, the Group had a total of approximately 4,179 employees (2017: 5,264) of which approximately 474 (2017: 516) were management personnel and 952 (2017: 1,816) were technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the employees' salaries.

## **CHARGE ON ASSETS**

As at 31 December 2018, restricted bank balances, land use rights and buildings of HK\$231.1 million (2017: HK\$94.5 million), HK\$67.7 million (2017: HK\$149.9 million) and HK\$368.6 million (2017: HK\$450.9 million) were respectively pledged to financial institutions by the Group to secure general banking facilities.

## **FINAL DIVIDENDS**

The Board recommends the payment of a final dividend of HK4.78 cents per share for the year ended 31 December 2018 (2017: HK4.55 cents per share) to the shareholders whose names appear on the Company's register of members on 14 June 2019. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 5 June 2019, the final dividend will be paid on 12 July 2019.

The final dividend together with the interim dividend of HK3.26 cents per share paid on 29 October 2018 makes a total of HK8.04 cents per share for the year (2017: HK8.63 cents per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 31 May 2019 (Friday) to 5 June 2019 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 30 May 2019 (Thursday).

The register of members of the Company will be closed from 12 June 2019 (Wednesday) to 14 June 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 June 2019 (Tuesday).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year except for the following deviations.

On 31 July 2018, Mr. Zeng Xiaoping retired as Chairman and executive director of the Company and ceased to be the Chairman of the nomination committee, member of the remuneration committee and authorised representative of the Company. Subsequent to his retirement, the roles of the Chairman of the Board and the Chairman of the nomination committee are outstanding, which constitutes deviations from code provisions A.2 and A.5.1 of the CG Code.

The Board will continue to monitor and review the Company's corporate governance practices and procedures and make necessary changes when it considers appropriate.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

The Company has also established written guidelines regarding securities transaction on no less exacting terms than the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

## **AUDIT COMMITTEE**

The Audit Committee of the Company currently comprises five independent non-executive directors, namely Ms. Ng Yi Kum, Estella (Chairman of the Committee), Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu. Regular meetings have been held during the year to review the accounting principles and practices adopted by the Group and discussed with the management the effectiveness of the Company's risk management and internal control systems, and financial reporting matters. The final results for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The 2018 Annual Report will be available at the websites of the Company and the Stock Exchange and despatched to shareholders of the Company in due course.

By Order of the Board  
**Tianjin Development Holdings Limited**  
**Wang Zhiyong**  
*Executive Director and General Manager*

Hong Kong, 28 March 2019

*As at the date of this announcement, the Board of the Company consists of Mr. Wang Zhiyong, Dr. Cui Di, Dr. Yang Chuan, Mr. Cheung Wing Yui, Edward\*, Dr. Chan Ching Har, Eliza\*, Dr. Cheng Hon Kwan\*\*, Mr. Mak Kwai Wing, Alexander\*\*, Ms. Ng Yi Kum, Estella\*\*, Mr. Wong Shiu Hoi, Peter\*\* and Dr. Loke Yu\*\*.*

\* *non-executive director*

\*\* *independent non-executive director*