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天津发展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$6,987,845,000 (2016: approximately HK\$6,110,176,000).
- Profit attributable to owners of the Company amounted to approximately HK\$488,837,000 (2016: approximately HK\$515,214,000).
- Basic earnings per share were HK45.57 cents (2016: HK48.03 cents).
- Proposed final dividend of HK4.55 cents per share (2016: HK5.09 cents per share), together with interim dividend paid, total dividends for the year amounted to HK8.63 cents per share (2016: HK9.62 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 2017 together with the comparative figures for the corresponding year in 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2017*

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	2	6,987,845	6,110,176
Cost of sales		<u>(5,374,104)</u>	<u>(4,799,058)</u>
Gross profit		1,613,741	1,311,118
Other income	3	310,544	389,065
Other gains (losses), net	4	110,055	(99,959)
Selling and distribution expenses		(665,659)	(429,349)
General and administrative expenses		(725,655)	(643,197)
Other operating expenses		(350,379)	(253,907)
Finance costs	5	(63,434)	(68,067)
Share of profit (loss) of			
Associates		433,100	516,742
Joint ventures		<u>(8,040)</u>	<u>(8,715)</u>
Profit before tax		654,273	713,731
Tax expense	6	<u>(75,782)</u>	<u>(49,989)</u>
Profit for the year	7	<u>578,491</u>	<u>663,742</u>
Attributable to:			
Owners of the Company		488,837	515,214
Non-controlling interests		<u>89,654</u>	<u>148,528</u>
		<u>578,491</u>	<u>663,742</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		<u>45.57</u>	<u>48.03</u>
Diluted		<u>45.53</u>	<u>48.02</u>

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

For the year ended 31 December 2017

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit for the year		<u>578,491</u>	<u>663,742</u>
Other comprehensive income (expense)			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligations		(8,209)	(10,885)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences			
– the Group		622,419	(651,027)
– associates		252,165	(242,001)
– joint ventures		2,798	(3,162)
Change in fair value of available-for-sale financial assets	<i>11</i>	(19,517)	(27,495)
Deferred taxation on fair value change of available-for-sale financial assets		1,530	776
Share of other comprehensive income (expense) of an associate			
– available-for-sale financial assets revaluation reserve		<u>21,244</u>	<u>(1,171)</u>
Other comprehensive income (expense) for the year		<u>872,430</u>	<u>(934,965)</u>
Total comprehensive income (expense) for the year		<u>1,450,921</u>	<u>(271,223)</u>
Attributable to:			
Owners of the Company		1,119,158	(179,281)
Non-controlling interests		<u>331,763</u>	<u>(91,942)</u>
		<u>1,450,921</u>	<u>(271,223)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,729,552	4,953,521
Land use rights		496,571	434,697
Investment properties		177,698	155,515
Interests in associates	10	5,013,540	4,693,887
Interests in joint ventures		38,492	43,734
Intangible assets		78,717	83,899
Deposits paid for acquisition of property, plant and equipment		21,182	35,721
Deferred tax assets		93,409	91,185
Available-for-sale financial assets	11	415,646	413,223
Goodwill		1,495	1,397
		<u>11,066,302</u>	<u>10,906,779</u>
Current assets			
Inventories		586,705	484,524
Amounts due from joint ventures		54,634	50,589
Amount due from ultimate holding company		260	237
Amounts due from related companies		48,038	47,740
Amounts due from customers for contract work	12	572,533	714,573
Trade receivables	13	921,465	764,729
Notes receivables	13	334,108	279,033
Other receivables, deposits and prepayments	14	590,998	463,841
Financial assets at fair value through profit or loss		388,603	647,628
Entrusted deposits	15	645,933	442,402
Restricted bank balances		94,496	149,135
Time deposits with maturity over three months		1,403,018	1,436,927
Cash and cash equivalents		5,898,551	4,331,164
		<u>11,539,342</u>	<u>9,812,522</u>
Total assets		<u><u>22,605,644</u></u>	<u><u>20,719,301</u></u>
EQUITY			
Owners of the Company			
Share capital	16	5,136,285	5,136,285
Reserves		5,840,170	4,767,889
		<u>10,976,455</u>	9,904,174
Non-controlling interests		<u>3,770,735</u>	3,473,189
Total equity		<u><u>14,747,190</u></u>	<u><u>13,377,363</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 31 December 2017*

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Defined benefit obligations		53,650	44,320
Deferred income		107,826	93,560
Bank borrowings	<i>17</i>	1,856,616	1,859,190
Deferred tax liabilities		37,772	38,634
		2,055,864	2,035,704
Current liabilities			
Trade payables	<i>18</i>	1,243,866	1,078,438
Notes payables	<i>18</i>	77,031	153,384
Other payables and accruals	<i>19</i>	2,775,699	2,467,337
Amounts due to related companies		824,228	875,471
Amounts due to customers for contract work	<i>12</i>	230,432	170,042
Bank borrowings	<i>17</i>	491,879	406,990
Current tax liabilities		159,455	154,572
		5,802,590	5,306,234
Total liabilities		7,858,454	7,341,938
Total equity and liabilities		22,605,644	20,719,301
Net current assets		5,736,752	4,506,288
Total assets less current liabilities		16,803,054	15,413,067

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 convention, except for available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried 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 2016 and 2017 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 2016 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 2017 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.

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after a date to be determined

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 (the “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 2017

	Utilities <i>(note (i))</i> HK\$'000	Pharma- ceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	3,866,082	1,877,771	116,724	1,127,268	–	–	6,987,845
Operating profit (loss) before interest	157,350	168,529	22,175	(181,881)	–	–	166,173
Interest income	24,757	25,599	7	12,608	–	–	62,971
Gain on fair value change of a financial asset at fair value through profit or loss	–	73,561	–	–	–	–	73,561
Impairment loss on property, plant and equipment	–	(21,029)	–	–	–	–	(21,029)
Impairment loss on intangible assets	–	–	–	(57,919)	–	–	(57,919)
Finance costs	–	(11,613)	–	(11,532)	–	–	(23,145)
Share of profit (loss) of associates	–	(2,729)	–	–	162,665	266,739	426,675
Profit (loss) before tax	182,107	232,318	22,182	(238,724)	162,665	266,739	627,287
Tax (expense) credit	(50,795)	(16,295)	(3,659)	3,253	–	–	(67,496)
Segment results – profit (loss) for the year	131,312	216,023	18,523	(235,471)	162,665	266,739	559,791
Non-controlling interests	(9,191)	(85,926)	–	54,966	–	(46,039)	(86,190)
Profit (loss) attributable to owners of the Company	122,121	130,097	18,523	(180,505)	162,665	220,700	473,601
Segment results – profit (loss) for the year includes: Depreciation and amortisation	79,181	123,293	17,256	72,923	–	–	292,653

For the year ended 31 December 2016

	Utilities <i>(note (i))</i> HK\$'000	Pharma- ceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	3,525,712	1,528,448	107,690	948,326	–	–	6,110,176
Operating profit (loss) before interest	70,075	195,065	17,806	(133,179)	–	–	149,767
Interest income	28,821	41,980	12	23,463	–	–	94,276
Gain on fair value change of a financial asset at fair value through profit or loss	–	44,726	–	–	–	–	44,726
Impairment loss on intangible assets	–	–	–	(106,477)	–	–	(106,477)
Finance costs	–	(10,358)	–	(5,366)	–	–	(15,724)
Share of profit of associates	–	2,806	–	–	111,402	396,609	510,817
Profit (loss) before tax	98,896	274,219	17,818	(221,559)	111,402	396,609	677,385
Tax (expense) credit	(23,909)	(33,971)	(2,934)	10,915	–	–	(49,899)
Segment results – profit (loss) for the year	74,987	240,248	14,884	(210,644)	111,402	396,609	627,486
Non-controlling interests	(5,858)	(119,332)	–	46,984	–	(68,455)	(146,661)
Profit (loss) attributable to owners of the Company	69,129	120,916	14,884	(163,660)	111,402	328,154	480,825
Segment results – profit (loss) for the year includes: Depreciation and amortisation	55,710	90,370	17,045	81,408	–	–	244,533

2. SEGMENT INFORMATION *(continued)*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reconciliation of profit for the year		
Total reportable segments	559,791	627,486
Corporate and others <i>(note (ii))</i>	<u>18,700</u>	<u>36,256</u>
Profit for the year	<u><u>578,491</u></u>	<u><u>663,742</u></u>

notes:

- (i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK\$2,470,238,000, HK\$372,253,000 and HK\$1,023,591,000 respectively (2016: HK\$2,350,633,000, HK\$332,584,000 and HK\$842,495,000 respectively).

The above revenue included government supplemental income of HK\$185,566,000 (2016: HK\$51,568,000).

- (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 2017

	Utilities <i>HK\$'000</i>	Pharma- ceutical <i>HK\$'000</i>	Hotel <i>HK\$'000</i>	Electrical and mechanical <i>HK\$'000</i>	Port services <i>HK\$'000</i>	Elevators and escalators <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Corporate and others <i>(note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>	<u>22,605,644</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>

As at 31 December 2016

	Utilities <i>HK\$'000</i>	Pharma- ceutical <i>HK\$'000</i>	Hotel <i>HK\$'000</i>	Electrical and mechanical <i>HK\$'000</i>	Port services <i>HK\$'000</i>	Elevators and escalators <i>HK\$'000</i>	Total reportable segments <i>HK\$'000</i>	Corporate and others <i>(note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>3,839,488</u>	<u>5,491,413</u>	<u>561,383</u>	<u>2,949,502</u>	<u>3,457,589</u>	<u>834,827</u>	<u>17,134,202</u>	<u>3,585,099</u>	<u>20,719,301</u>
Segment liabilities	<u>2,423,096</u>	<u>1,155,861</u>	<u>10,294</u>	<u>1,803,487</u>	<u>–</u>	<u>–</u>	<u>5,392,738</u>	<u>1,949,200</u>	<u>7,341,938</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 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, 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The PRC	6,871,121	6,002,486
Hong Kong	<u>116,724</u>	<u>107,690</u>
	<u>6,987,845</u>	<u>6,110,176</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The PRC	10,085,261	9,917,704
Hong Kong	<u>471,986</u>	<u>484,667</u>
	<u>10,557,247</u>	<u>10,402,371</u>

3. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income	143,827	273,073
Government grants	92,992	46,519
Dividend income from available-for-sale financial assets	23,531	19,006
Rental income under operating leases, net of negligible outgoings	4,643	3,976
Sale of scrap materials	2,075	2,871
Sundries	<u>43,476</u>	<u>43,620</u>
	<u>310,544</u>	<u>389,065</u>

4. OTHER GAINS (LOSSES), NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Impairment loss on intangible assets	(57,919)	(106,477)
Impairment loss on property, plant and equipment	(21,029)	–
Net gain (loss) on disposal/written off of property, plant and equipment	8,150	(191)
Net exchange gain (loss)	82,412	(55,179)
Allowance for trade receivables	(6,688)	(3,942)
Allowance for inventories	(2,380)	(3,800)
Gain on disposal of subsidiaries	11,392	–
Gain on fair value change of a financial asset at fair value through profit or loss	73,561	44,726
Net fair value gain on financial assets held for trading		
– listed	734	8,312
– unlisted	22,074	4,353
(Allowance) reversal of allowance for other receivables	(252)	12,239
	<u>110,055</u>	<u>(99,959)</u>

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest expenses on bank borrowings	63,691	71,022
Interest expenses on amount due to a related company	2,175	258
Interest on obligations under finance leases	–	348
	<u>65,866</u>	<u>71,628</u>
Less: Amounts capitalised on construction in progress (included in property, plant and equipment)	(2,432)	(3,561)
	<u>63,434</u>	<u>68,067</u>

6. TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current taxation		
PRC Enterprise Income Tax (“EIT”)	76,585	49,174
Deferred taxation	(803)	815
	<u>75,782</u>	<u>49,989</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 (2016: 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. PROFIT FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year is arrived at after charging:		
Employees' benefits expense (including directors' emoluments)	985,910	940,586
Cost of inventories recognised as an expense	3,729,453	3,487,928
Depreciation		
– charged to cost of sales	198,324	148,038
– charged to administrative expenses	64,576	58,005
– charged to selling expenses	1,395	988
– charged to other operating expenses	17,256	17,045
Amortisation of land use rights	12,056	11,103
Amortisation of intangible assets	13,316	24,983
Operating lease expenses on		
– plants, pipelines and networks	134,824	140,838
– land and buildings	16,612	11,967
Auditor's remuneration	11,063	10,544
Share-based payment expense	19,362	–
Research and development costs charged to other operating expenses	<u>283,257</u>	<u>223,485</u>

8. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>488,837</u>	<u>515,214</u>
Number of shares	<i>Thousand</i>	<i>Thousand</i>
Weighted average 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	<u>855</u>	<u>234</u>
Weighted average number of ordinary shares taking account of the share options for the purpose of diluted earnings per share	<u>1,073,625</u>	<u>1,073,004</u>

9. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividends recognised as distribution during the year		
– 2017 interim dividend, paid		
– HK4.08 cents per share (2016: HK4.53 cents per share)	43,769	48,596
– 2016 final dividend, paid		
– HK5.09 cents per share (2015: HK5.65 cents per share)	54,604	60,612
	<u>98,373</u>	<u>109,208</u>

A final dividend of HK4.55 cents per share for the year ended 31 December 2017, amounting to approximately HK\$48,811,000, 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.

10. INTERESTS IN ASSOCIATES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The Group's interests in associates		
– Listed shares in Hong Kong		
– Tianjin Port	3,791,018	3,457,589
– Unlisted shares in the PRC		
– Otis China	854,587	834,827
– Others	367,935	401,471
	<u>5,013,540</u>	<u>4,693,887</u>

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities			
Listed, at market value	<i>(a)</i>	107,823	125,693
Unlisted	<i>(b)</i>	307,823	287,530
		<u>415,646</u>	<u>413,223</u>

notes:

- (a) The listed securities mainly represent the Group's 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 2017, the market value of the Group's equity interest in Binhai Investment was HK\$85,841,000 (2016: HK\$99,238,000) and the unrealised fair value loss of HK\$13,397,000 (2016: HK\$22,328,000) was recognised as other comprehensive expense.

- (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 and carried at cost less impairment.

12. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

Amounts represent the contracts in progress of subsidiaries of the electrical and mechanical segment at the end of the year.

13. TRADE RECEIVABLES AND NOTES RECEIVABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	515,399	369,152
31 to 90 days	154,673	197,676
91 to 180 days	124,946	216,135
181 to 365 days	283,960	141,382
Over 1 year	176,595	119,417
	<u>1,255,573</u>	<u>1,043,762</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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Entrusted loan (<i>note</i>)	35,885	33,520
Compensation receivable	–	20,960
Profit guarantee arrangement	118,287	–
Others	436,826	409,361
	<u>590,998</u>	<u>463,841</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 fixed interest rate at 6% per annum (2016: 6% per annum).

15. ENTRUSTED DEPOSITS

As at 31 December 2017, the entrusted deposits were placed with four financial institutions (2016: six financial institutions) in the PRC, with maturity from 4 to 29 months (2016: 1 to 24 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 5.6% to 6.9% (2016: 2.8% 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.

16. SHARE CAPITAL

	Number of shares Thousand	Value HK\$'000
Issued and fully paid ordinary shares with no par value: At 1 January 2016, 31 December 2016 and 2017	<u>1,072,770</u>	<u>5,136,285</u>

17. BANK BORROWINGS

The Group raised new borrowings of HK\$461,930,000 and repaid the loans of HK\$419,465,000 during the year.

As at 31 December 2017, HK\$491,879,000 of borrowings were repayable within one year and carried interest rates at 2.80% to 6.55% (2016: 1.23% to 5.31%) per annum.

18. TRADE PAYABLES AND NOTES PAYABLES

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

	2017 HK\$'000	2016 HK\$'000
Within 30 days	423,581	316,799
31 to 90 days	190,381	250,650
91 to 180 days	203,238	291,183
Over 180 days	<u>503,697</u>	<u>373,190</u>
	<u>1,320,897</u>	<u>1,231,822</u>

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

19. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Receipts in advance	1,003,256	973,127
Accruals	839,339	804,005
Other payables	<u>933,104</u>	<u>690,205</u>
	<u>2,775,699</u>	<u>2,467,337</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 (2016: 706,000 kVA).

In 2017, revenue from the Electricity Company was approximately HK\$2,470.2 million, an increase of 5.1% from HK\$2,350.6 million last year. Profit increased HK\$51 million to approximately HK\$77.4 million from HK\$26.4 million last year. This was largely due to revenue growth attributable to higher volumes of electricity sold and also the improved operating margins driven by a combination of tariff improvement and reduction in average electricity purchase cost during the year. The total quantity of electricity sold for the year was approximately 2,890,534,000 kWh, an increase of 7.5% over last year.

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 (2016: 425,000 tonnes).

In 2017, revenue from the Water Company was approximately HK\$372.3 million, an increase of 11.9% from HK\$332.6 million last year. The Water Company recorded a profit of approximately HK\$12.3 million, an increase of 78.3% from HK\$6.9 million in 2016. This was mainly attributable to increase in both revenue and government supplemental income, partially offset by higher operating costs during the year. The total quantity of water sold for the year was approximately 53,175,000 tonnes, representing an increase of 7.4% 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 360 kilometres (2016: 360 kilometres) and more than 105 processing stations (2016: 105 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2017, the Heat and Power Company reported revenue of approximately HK\$1,023.6 million, an increase of 21.5% from HK\$842.5 million last year. Profit from the Heat and Power Company was approximately HK\$41.6 million, broadly maintained at the same level of the previous year. This was primarily due to lower operating margins driven by the increase in average steam purchase cost outstripped the tariff improvement during the year. Such effect on profit was substantially offset by the increase in government supplemental income. The total quantity of steam sold for the year was approximately 3,314,000 tonnes, representing a decrease of 8% 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 2017, revenue from pharmaceutical segment was approximately HK\$1,877.8 million, an increase of 22.9% from HK\$1,528.4 million last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$1,647.7 million, an increase of 27.6% from HK\$1,291.1 million in 2016. Revenue from provision of research and development services and other pharmaceutical related operations was approximately HK\$129.6 million, a decrease of 4.2% over last year. Revenue from sale of packaging materials amounted to approximately HK\$100.5 million, a decrease of 1.5% over last year.

During the year, pharmaceutical segment recognised a fair value gain of approximately HK\$73.6 million in respect of the profit guarantee provided by Tsinlien Group Company Limited (“Tsinlien”) and Tianjin Pharmaceutical Group Co. Ltd. (天津市醫藥集團有限公司) (“Tianjin Pharmaceutical”) to the Group in relation to the profit target of pharmaceutical segment for two years ended 31 December 2016 and 2017.

Stripping out 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, profit from pharmaceutical segment amounted to approximately HK\$163.4 million, a decrease of HK\$32.1 million from HK\$195.5 million last year on a like-for-like basis. This result was largely driven by higher administrative expenses, research and development costs as well as selling and distribution expenses, partially offset by revenue growth and improved operating margins in sale of pharmaceutical products.

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 2017, Courtyard Hotel reported revenue of approximately HK\$116.7 million and profit of approximately HK\$18.5 million, representing an increase of 8.4% and 24.2% respectively over last year. The average room rate increased slightly and the average occupancy rate was approximately 87.9%, seven 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 2017, revenue from electrical and mechanical segment was approximately HK\$1,127.3 million, representing an increase of 18.9% over last year. Loss from electrical and mechanical segment was approximately HK\$235.5 million compared to HK\$210.6 million in 2016. Stripping out the impairment charge of HK\$57.9 million on intangible assets, the loss would have been approximately HK\$177.6 million, compared to a loss of HK\$104.1 million in 2016 on a like-for-like basis. The segment loss was primarily due to higher construction contracts cost estimate adjustments incurred in hydroelectric equipment business and narrow operating margins, partially offset by the reduction in operation costs during the year.

Strategic and Other Investments

Port Services

As at 31 December 2017, 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 increased by 1% to approximately HK\$16,621.8 million and profit attributable to owners of Tianjin Port was approximately HK\$774.6 million, representing an increase of 46% over last year.

Tianjin Port contributed to the Group a profit of approximately HK\$162.7 million, representing an increase of 46.1% as compared with 2016.

Elevators and Escalators

As at 31 December 2017, 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\$17,839.1 million, representing a decrease of 6.7% over last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$220.7 million, representing a decline of 32.8% over 2016.

Investment in Binhai Investment Company Limited

As at 31 December 2017, the Group has 4.23% 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\$85.8 million (2016: approximately HK\$99.2 million) and the unrealised fair value loss of approximately HK\$13.4 million (2016: a loss of approximately HK\$22.3 million) was recognised in other comprehensive expense.

PROSPECT

Looking ahead to 2018, the world’s leading economies are expected a continuation of economic recovery. Nevertheless, there are uncertainties in the direction of the leading economies’ policy adjustments as well as their spillover effects, and the factors such as intensifying trade protectionism and escalating geopolitical risks that could cause various instability and uncertainty. The Chinese economy is going through further restructuring and accelerating the development of both transformation and upgrading. With the steady improvement in quality and effects of economic development, the Chinese economy will maintain the momentum of stable development.

Following the further reform of state-owned enterprises, it will provide new opportunities for growth and development. The Company will continue to maintain the principle by putting dual emphasis on business development and prudence, and stick to disciplined financial management so as to enable the Company to meet any development opportunities and challenges ahead. We feel confident for the future.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2017, the Group's total cash on hand and total bank borrowings stood at approximately HK\$7,396.1 million and HK\$2,348.5 million respectively (2016: approximately HK\$5,917.2 million and HK\$2,266.2 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$491.9 million (2016: approximately HK\$407 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 21% as at 31 December 2017 (2016: approximately 23%).

Of the total HK\$2,348.5 million bank borrowings outstanding as at 31 December 2017, HK\$1,791.4 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods, RMB385 million (equivalent to approximately HK\$460.5 million) were fixed-rate debts with annual interest rates at 4.35% to 5.61%, and RMB80.8 million (equivalent to approximately HK\$96.6 million) were floating-rate debts with annual interest rates at 4.75% to 6.55%.

As at 31 December 2017, 76.3% (2016: 78.8%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 23.7% (2016: 21.2%) 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 2017, the Group had a total of approximately 5,264 employees (2016: 5,560) of which approximately 516 (2016: 619) were management personnel and 1,816 (2016: 1,472) 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 and also paid supplementary retirement benefits for certain 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 2017, restricted bank balances, land use rights and buildings of HK\$94.5 million (2016: HK\$149.1 million), HK\$149.9 million (2016: HK\$141.4 million) and HK\$450.9 million (2016: HK\$460.6 million) were respectively pledged to financial institutions by the Group to secure general banking facilities.

PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF 67% OF THE ISSUED SHARE CAPITAL OF THRIVE LEAP LIMITED

As disclosed in a circular of the Company dated 21 August 2015 (the “Circular”), Century Promise Limited (“Century Promise”), a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 22 July 2015 (the “Sale and Purchase Agreement”) with Golden Tripod Holdings Limited, a wholly-owned subsidiary of Tsinlien, as vendor, and Tsinlien and Tianjin Pharmaceutical, as vendor’s guarantors, in relation to the acquisition of 67% of the issued share capital of Thrive Leap Limited (“Thrive Leap”, together with its subsidiaries, the “Thrive Leap Group”).

Pursuant to the Sale and Purchase Agreement, Tsinlien and Tianjin Pharmaceutical unconditionally and irrevocably guaranteed to Century Promise, among others, that the audited consolidated net profit attributable to owners of Thrive Leap (the “Actual Profit”) according to the audited consolidated accounts of Thrive Leap Group prepared in accordance with HKFRSs (the “Thrive Leap Audited Accounts”) for the two financial years ending 31 December 2016 and 2017 shall in aggregate be not less than RMB313,000,000 (the “2016 and 2017 Profit Target”).

Tsinlien and Tianjin Pharmaceutical undertook to Century Promise, among others, that if the Actual Profit for the two financial years ending 31 December 2016 and 2017 in aggregate falls short of the 2016 and 2017 Profit Target, Tsinlien and Tianjin Pharmaceutical shall within 10 business days from the date of issue of the Thrive Leap Audited Accounts for the financial year ending 31 December 2017 pay to Century Promise in cash an amount equal to 67% of the HK\$ Equivalent (as defined in the Circular) of the amount of such shortfall.

Based on the Thrive Leap Audited Accounts for each of the two financial years ended 31 December 2016 and 2017, the Actual Profit for the two financial years ended 31 December 2016 and 2017 in aggregate was approximately RMB170,848,000, which falls short of the 2016 and 2017 Profit Target by approximately RMB142,152,000 (the “Profit Shortfall”). Accordingly, Tsinlien and Tianjin Pharmaceutical are obliged to compensate an amount of HK\$118,287,000 (being 67% of the HK\$ Equivalent of the Profit Shortfall) to Century Promise. Such compensation is expected to be received on or before 16 April 2018. Further announcement will be published when Tsinlien and Tianjin Pharmaceutical have fulfilled their obligations.

FINAL DIVIDENDS

The Board recommends the payment of a final dividend of HK4.55 cents per share for the year ended 31 December 2017 (2016: HK5.09 cents per share) to the shareholders whose names appear on the Company’s register of members on 15 June 2018. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 7 June 2018, the final dividend will be paid on or about 13 July 2018.

This final dividend together with the interim dividend of HK4.08 cents per share paid on 30 October 2017 makes a total of HK8.63 cents per share for the year (2016: HK9.62 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 June 2018 (Monday) to 7 June 2018 (Thursday), 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 1 June 2018 (Friday).

The register of members of the Company will be closed from 13 June 2018 (Wednesday) to 15 June 2018 (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 12 June 2018 (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 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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 2017 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 2017 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 2017 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
Zeng Xiaoping
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the Board of the Company consists of Mr. Zeng Xiaoping, 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*