天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

ANNUAL REPORT 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Rumin *(Chairman)*
Mr. Wu Xuemin *(General Manager)*
Mr. Dai Yan
Mr. Bai Zhisheng
Mr. Zhang Wenli
Mr. Wang Zhiyong
Dr. Wang Weidong
Mr. Tuen Kong, Simon

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORIZED REPRESENTATIVES

Mr. Wu Xuemin
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suites 7–13, 36th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

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Website : www.tianjindev.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

882.HK

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
Credit Agricole Corporate and Investment Bank

Business Structure

Tianjin Development Holdings Limited

Utilities

Electricity
Water
Heat and Thermal Power

Hotels

Courtyard by Marriot Hong Kong
Hotel Property in Tianjin

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

Dynasty Fine Wines (828.HK)
Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

Company Name	Shareholding	Principal Activities
Tianjin TEDA Tsinlien Electric Power Co., Ltd.	94.36%	Distribution of electricity in TEDA
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	91.41%	Distribution of water in TEDA
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	90.94%	Distribution of steam in TEDA

HOTELS

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong
Tianjin First Hotel Ltd.	75%	Possession of hotel property in Tianjin

ELECTRICAL AND MECHANICAL

Company Name	Shareholding	Principal Activities
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.	82.74%	Manufacture and sale of hydroelectric equipments
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipments

STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
Dynasty Fine Wines Group Limited	44.70%	Produce and sale of winery products
Tianjin Port Development Holdings Limited	21%	Provision of port services in Tianjin
Otis Elevator (China) Investment Company Limited	16.55%	Manufacture and sale of elevators and escalators

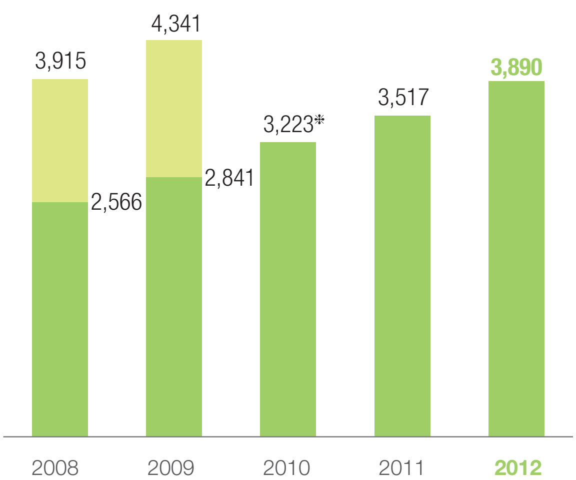
note: The above percentages represent effective equity interest in respective companies or group of companies.

Financial Highlights

Turnover

HK$ million

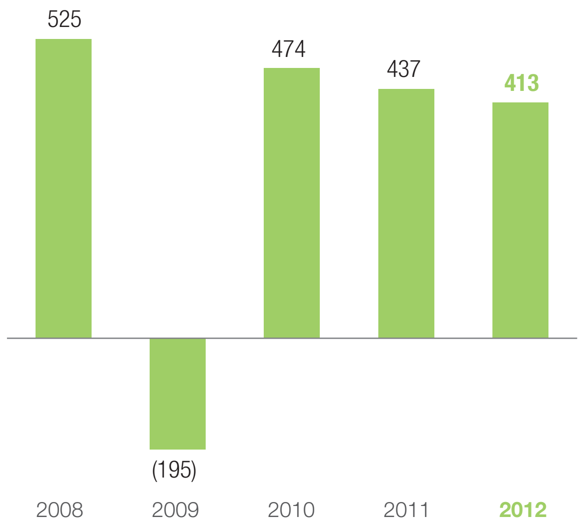
(for the year ended 31 December)



Profit (loss) Attributable to Owners of the Company

HK$ million

(for the year ended 31 December)



Results of the operation of toll roads and port services were separately presented from the continuing operations in 2009. The results of 2008 have been restated.

⁕ The turnover does not include revenue from the operation of toll roads and port services due to the reason that no toll fee generated since 1 January 2010 and Tianjin Port ceased being a subsidiary of the Group, and became an associate in February 2010.

Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

for the year ended 31 December

Turnover

	2012 HK$ million	2011 HK$ million	Changes (%)
Utilities	3,772	3,402	11
Hotels	118	115	3
Electrical and mechanical (note 1)	—	—	—
	3,890	3,517	11

Profit (loss) Attributable to Owners of the Company

	2012 HK$ million	2011 HK$ million	Changes HK$ million
Utilities	25	71	(46)
Hotels	8	(23)	31
Electrical and mechanical (note 1)	—	—	—
Winery	(111)	2	(113)
Port Services	148	150	(2)
Elevators and Escalators	346	362	(16)
Exceptional gain (note 2)	—	29	(29)
Corporate and others	(3)	(154)	151
	413	437	(24)

notes:

1. As the acquisitions were completed on 31 December 2012, their financial results as subsidiaries are not presented in this year's segment results.
2. Exceptional gain in 2011 mainly refers to the gain from disposal of entire interest in Tangjin Expressway.

Chairman's Statement

Mr. Yu Rumin
Chairman

PROFIT FOR THE YEAR 2012

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2012 was approximately HK$413,000,000, representing a decrease of approximately 5% compared to last year's HK$437,000,000. In view of the development needs and long-term arrangements of the Company, a final dividend is not recommended by the Board.

BUSINESS OVERVIEW

In 2012, every line of business of the Company has achieved progressive results. During the year, the Company completed acquisition of 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("Tianduan") and 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) ("Tianfa Equipment"). Following completion of the two acquisitions, the Company through its subsidiary held 78.45% equity interest in Tianduan and 100% equity interest in Tianfa Equipment. These will lay the foundation for further development and expansion of sophisticated mechanical manufacturing business in future. Moreover, the Company also strives to push forward assets restructuring and to make preparations for eventually becoming a holding company with prominent and core business.

Utility business was stable but still confronted with the impact of the policy change of government supplemental income. During the year, the Company has through working together achieved relatively good results.

The performance of Hotel Courtyard by Marriott in Hong Kong was in line with our expectation. A profit of approximately HK$23,400,000 was recorded, representing an increase of three times over last year. The average occupancy rate in the year was approximately 86%. For the hotel property in Tianjin, the Company is taking active steps to explore the direction of future development.

With regard to strategic investments, apart from Dynasty Fine Wines Group Limited, the profit contribution from Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited reached our expected levels.

Chairman's Statement

CORPORATE GOVERNANCE

With a view to further enhance corporate governance standards and improve organization structure, the Board has during the year revised the terms of reference of various committees under the Board and adopted a new corporate governance guideline whereby the Board is directly responsible for performing the corporate governance duties to ensure that business operations are carried out in compliance with applicable regulations and being monitored constantly and effectively, and to enable relevant information be disclosed to the shareholders and investors in a timely and accurate manner.

OUTLOOK

In 2013, the world economic situation will remain complicated and volatile, and confront many uncertainties. The downturn risk of global economy still exists given the factors the Eurozone debt crisis, unresolved US fiscal cliff and economic slowdown in the emerging markets. China will also face the risks of tensions in the region even though its economy achieved a soft landing. Under the new situation, the Company will continue to play to its strengths and accelerate the growth pace with the prerequisite of maintaining smooth development of existing businesses. The Company is capable of dealing with challenges in the future and able to grasp expansion opportunities with its sound financial position and quality assets. The Company has achieved a satisfactory performance in 2012, and we feel confident for the future.

Lastly, I would like to take this opportunity to thank the Board members and all our staff for their dedication and contribution.

Yu Rumin
Chairman

27 March 2013, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operating in the Tianjin Economic and Technological Development Area ("TEDA") through supplying electricity, water, heat and thermal power to industrial, commercial and residential customers.

TEDA is a national development zone and ranked no. 1 in terms of overall capabilities in the PRC. Situated at the centre of Bohai economic rim, TEDA is an ideal place for manufacturing and R&D developments.

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.

In 2012, the Electricity Company reported revenue of approximately HK$2,292.9 million and profit of approximately HK$40 million, representing an increase of 9.8% and 136.7% respectively over last year. The rise in profit was mainly due to improvement in gross profit margin and reversal of provision of expenses. The total quantity of electricity sold for the year was approximately 2,646,676,000 kWh, representing an increase of 1.8% 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 400,000 tonnes.

In 2012, the Water Company reported revenue of approximately HK$355.7 million, representing an increase of 12.3% over last year; and loss of approximately HK$51.2 million compared to a profit of approximately HK$5.8 million last year. In view of this, the Company has exercised caution to make a provision of impairment of HK$30 million to relevant assets of Water Company. The total quantity of water sold for the year was approximately 46,699,000 tonnes, representing a decline of 1.8% over last year.

Management Discussion and Analysis

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 and more than 105 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2012, the Heat & Power Company reported revenue of approximately HK$1,123.9 million and profit of approximately HK$34.4 million, representing an increase of 12.6% and decrease of 30.6% respectively over last year. The decrease in profit was mainly due to increase in cost of operations. The total quantity of steam sold for 2012 was approximately 4,214,000 tonnes, representing an increase of 7.4% over last year.

Hotels

Courtyard by Marriott Hong Kong

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 2012, Courtyard Hotel's revenue increased by 3% to approximately HK$117.1 million and profit of approximately HK$23.4 million was recorded, compared to a loss of approximately HK$10.9 million last year. The good result was due to improved room rates and effective control in expenses. During the year, the average occupancy rate was 85.6%, down 0.7% from 86.3% in last year.

Hotel Property in Tianjin

The management contract for operation of Hyatt Regency Tianjin Hotel was terminated in April 2012. The Group is taking active steps to explore various alternatives including redevelopment or disposal. During the year, a loss of approximately HK$21.9 million was recorded, which was mainly expenses and depreciation.

Management Discussion and Analysis

Electrical and Mechanical

Hydraulic Presses

On 1 November 2012, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) ("Tianjin Tai Kang"), a 82.74%-owned subsidiary of the Company, entered into an agreement with Tianjin Benefo Machinery & Electric Holding Co., Ltd. (天津百利機電控股集團有限公司) ("Tianjin Benefo") for the acquisition of 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("Tianduan") at a consideration of RMB455,557,000 (equivalent to approximately HK$560,334,000). Tianjin Benefo is a non-controlling shareholder of Tianjin Tai Kang. Tianduan is principally engaged in the manufacture and sale of presses and mechanical equipments and is a key player in the hydraulic presses industry in the PRC.

Completion took place on 31 December 2012 and Tianduan then became a 78.45%-owned subsidiary of Tianjin Tai Kang. For the year ended 31 December 2012, the financial results of Tianduan were equity accounted for as a 21.83%-owned associate.

Details of the acquisition can be referred to the Announcement and Circular of the Company dated 1 November 2012 and 22 November 2012 respectively.

Hydroelectric Equipment

On 1 November 2012, Tianjin Tai Kang entered into an agreement with Tianjin Benefo for the acquisition of 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) ("Tianfa Equipment") at a consideration of RMB301,984,000 (equivalent to approximately HK$371,439,000). Tianjin Benefo is a non-controlling shareholder of Tianjin Tai Kang. Tianfa Equipment is principally engaged in the manufacture and sale of hydroelectric equipments and large scale pump units and is a key player in the hydroelectric industry in the PRC.

Completion took place on 31 December 2012 and Tianfa Equipment then became a wholly-owned subsidiary of Tianjin Tai Kang. For the year ended 31 December 2012, the financial results of Tianfa Equipment were equity accounted for as a 34%-owned associate.

Details of the acquisition can be referred to the Announcement and Circular of the Company dated 1 November 2012 and 22 November 2012 respectively.

Management Discussion and Analysis

Strategic and Other Investments

Winery

As set out in the announcement published by Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) on 26 March 2013, an internal investigation is being conducted on certain transactions of Dynasty. As the investigation is not yet completed on the date these consolidated financial statements were approved by the Board, the financial information of Dynasty for the year ended 31 December 2012 is not available to the Group. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, in view of the on-going investigation of Dynasty, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of approximately HK$111.3 million which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012, compared to a profit of approximately HK$1.9 million in last year.

Port Services

During the year, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) increased by 8.4% to approximately HK$17,934.7 million; profit for the year of Tianjin Port was approximately HK$1,716.9 million, representing an increase of 5.5% over last year, and profit attributable to owners of Tianjin Port was approximately HK$705.8 million.

Tianjin Port contributed to the Group a profit of approximately HK$148.2 million, representing a decrease of 1% compared to that of last year.

Management Discussion and Analysis

Elevators and Escalators

During the year, the revenue of Otis Elevator (China) Investment Company Limited ("Otis China") amounted to approximately HK$16,685.6 million, representing an increase of 1% over 2011.

Otis China contributed to the Group a profit of approximately HK$345.7 million, representing a decrease of 4.5% over last year.

Investment in Binhai Investment Company Limited

During the year, the Group had 8.28% equity interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 8035). As at 31 December 2012, the market value of the Group's equity interest in Binhai Investment was approximately HK$218.3 million (2011: approximately HK$193.5 million) and the unrealized fair value gain of approximately HK$24.8 million (2011: unrealized fair value loss of approximately HK$89.3 million) was recognized in other comprehensive income.

PROSPECT

In 2013, the world economic situation will remain complicated and volatile, and confront many uncertainties. The downturn risk of global economy still exists given the factors like Eurozone debt crisis, unresolved US fiscal cliff and economic slowdown in the emerging markets. China will also face the risks of tensions in the region even though its economy achieved a soft landing. Under the new situation, the Company will continue to play to its strengths and accelerate the growth pace with the prerequisite of maintaining smooth development of existing businesses. The Company is capable of dealing with challenges in the future and able to grasp expansion opportunities with its sound financial position and quality assets. The Company has achieved a satisfactory performance in 2012, and we feel confident for the future.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2012, the Group's total cash on hand and total bank borrowings stood at approximately HK$4,222.1 million and approximately HK$2,559.4 million respectively (2011: approximately HK$3,763 million and approximately HK$2,350 million respectively). The bank borrowings of approximately HK$565.9 million (2011: approximately HK$362.5 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 25% as at 31 December 2012 (2011: approximately 24%).

Of the total HK$2,559.4 million bank borrowings outstanding as at 31 December 2012, HK$1,993.5 million were subject to floating rates with a spread of 1.40% over HIBOR of relevant interest periods and RMB175 million (equivalent to approximately HK$215.8 million) was calculated at 5 to 10 basis points over benchmark rate of the People's Bank of China. RMB240 million (equivalent to approximately HK$295.9 million) of bank borrowings were fixed-rate debts with annual interest rates at 3.12% to 6.30%, and the remaining of approximately RMB43.9 million (equivalent to approximately HK$54.2 million) were discounted notes receivables.

As at 31 December 2012, 78% (2011: 85%) of the Group's total bank borrowings was denominated in Hong Kong dollars, 22% (31 December 2011: 15%) was denominated in Renminbi.

During the year, the Group has not entered into any derivative contracts or hedging transactions.

EMPLOYEES AND REMUNERATION POLICIES

At the end of the year, the Group had a total of approximately 3,100 employees of whom approximately 500 were management personnel and 770 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 its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 31 December 2012, a restricted bank balance of approximately HK$102.8 million was pledged against notes payables of approximately HK$213.2 million.

As at 31 December 2012, bank borrowings of approximately HK$158 million was secured by land use right, buildings and deposits.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Rumin, aged 63, was appointed as the Chairman of the Company on 28 July 2010. He was appointed as the Vice Chairman and Executive Director of the Company in November 1997 and the Acting Chairman of the Company on 31 January 2008. He is also the Chairman of the Nomination Committee of the Company. He was appointed as an Executive Director of Tianjin Port Development Holdings Limited ("Tianjin Port") (Stock Code: 3382) on 24 November 2006 and the Chairman of Tianjin Port on 7 May 2007. Mr. Yu graduated from Shanghai Haiyun College in 1975 and obtained a Master's Degree in International Transport Engineering Management. He had been the assistant to the head of Tianjin Port Authority from March 1986 to December 1988. He had been the Deputy Head of the Tianjin Port Authority since December 1988, the Executive Deputy Head since July 1996 and the Head of Tianjin Port Authority since June 2002. He was the Deputy Head of the Regulatory Commission of Tianjin Port Tax Concession (天津港保税區管理委員會) from July 1996 to June 2002. Subsequent to the reorganization of Tianjin Port Authority in July 2004, he acted as the Vice Chairman and Chief Executive Officer of 天津港(集團)有限公司 (Tianjin Port (Group) Co., Ltd.) ("Tianjin Port (Group)") until November 2007. He was the Chairman of 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.), a company whose shares are listed on the Shanghai Stock Exchange, PRC from June 2004 to April 2010. He is currently the Chairman of Tianjin Port (Group). Mr. Yu has extensive experience in port management for over 27 years.

Mr. WU Xuemin, aged 59, was appointed as the General Manager of the Company on 3 August 2009. He was appointed as an Executive Director and Deputy General Manager on 31 January 2008. Mr. Wu is also a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wu is a Director and General Manager of Tsinlien Group Company Limited, the controlling shareholder of the Company. He is a senior economist and possesses a university degree. From July 1987 to November 1996, Mr. Wu acted as the Deputy Manager and Manager of Hainan office and import and export office of Li Da Group. In November 1996, he acted as the Deputy General Manager of Li Da Group. During the period, he also acted as the Chairman of Hai He Trading Company and Jin Rong International Company of Li Da Group in Hong Kong. In 1999, he completed the postgraduate course of International Trade at the Tianjin Institute of Finance and Economics. In September 2002, he acted as the General Manager of Tianjin Li He Group. He was a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828) until 1 October 2012. Mr. Wu worked in foreign trade corporations for many years and is experienced in foreign economy and import and export business.

Mr. DAI Yan, aged 60, was appointed as an Executive Director of the Company in July 2006 and is currently the Executive Deputy General Manager of the Company. He is also a Director and Executive Deputy General Manager of Tsinlien Group Company Limited. Mr. Dai is a senior economist. He graduated from University of International Business and Economics in 1980. In 1998, he completed the postgraduate course in Law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course in International Trade in Tianjin University of Finance and Economics, respectively. From 1988 to 2002, he acted as the Deputy General Manager of Tianjin Garments Import & Export Corporation; the Deputy General Manager of Tianjin Garments Associate Corporation; the Director, Deputy General Manager and General Manager of Tianjin Zhong Fu International Group Company Limited and acted as the Director and Deputy General Manager of Tianjin Textile (Holdings) Group Limited. He is currently an Executive Director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a Non-Executive Director of Binhai Investment Company Limited (Stock Code: 8035). Mr. Dai has solid experience in management for over 24 years.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Cont'd)

Mr. BAI Zhisheng, aged 57, was appointed as an Executive Director of the Company in January 2006. Mr. Bai graduated in 1984 from the undergraduate programme of Peking University where he studied in International Politics. He completed a postgraduate course specializing in Law at the Party School of Central Committee of the Communist Party of China in 1998. Mr. Bai is currently the chairman and executive director of Dynasty Fine Wines Group Limited (Stock Code: 828). He has solid experience in corporate management for over 14 years.

Mr. ZHANG Wenli, aged 58, was appointed as an Executive Director of the Company in March 2006. Mr. Zhang graduated from the Faculty of Electrical Engineering of Harbin Electrical Engineering Institute in 1982. He completed a postgraduate course specializing in Law at the Party School of Central Committee of the Communist Party of China in 1999. He got the EMBA Degree of Tianjin University in 2006. Mr. Zhang was a cadre and deputy head of Tianjin Electrical and Mechanical Research Institute from 1982 to 1993; the deputy head of Tianjin Electricity Control and Mechanic Transmission Institute and the chairman of Tianjin Hoisting Equipment Co., Ltd. from 1993 to 1995; the assistant general manager and deputy general manager of Tianjin Electrical and Mechanical Industrial Company (now known as Tianjin BENEFO Machinery & Electric Holding Group Ltd.) from 1996 to 2000. Since July 2000, he was appointed as the general manager and chairman of Tianjin BENEFO Machinery & Electric Holding Group Ltd. Mr. Zhang is also a director of CFHI-National Heavy Industries R & D Center and the chairman of Tianjin Benefo Tejing Electric Company Limited, a company whose shares are listed on the Shanghai Stock Exchange, PRC. He has solid experience in research and development for over 22 years.

Mr. WANG Zhiyong, aged 40, was appointed as an Executive Director of the Company on 27 October 2009 and Deputy General Manager of the Company on 14 May 2010. He is also a member of the Investment Committee of the Company. He is currently a director and deputy general manager of Tsinlien Group Company Limited and a non-executive director of Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265). Mr. Wang was formerly the manager of the Finance Department, deputy general manager and general manager of Tsinlien Group (Tianjin) Asset Management Company Limited (津聯集團(天津)資產管理有限公司) ("Tsinlien Group (Tianjin) Asset"). Prior to joining Tsinlien Group (Tianjin) Asset in 1998, he was the head of operations of the International Department of Northern International Trust and Investment Company Limited (北方國際信托投資股份有限公司). Mr. Wang graduated from Nankai University in 1994 with a Bachelor's Degree of International Finance, he passed the examination for on-the-job Postgraduate Master's Programme for Currency and Banking of Nankai University in 2000 and he also obtained a Master's Degree in Global Economy from Nankai University in 2009. In 2006, Mr. Wang was awarded the title of Outstanding Section Cadre Leader of Work Committee of Developing Area and Bonded Area. Tsinlien Group (Tianjin) Asset was also awarded the titles of Civilized Unit at Municipal Level as well as Outstanding Section Leaders of Developing Area and Bonded Area.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Cont'd)

Dr. WANG Weidong, aged 42, was appointed as an Executive Director of the Company on 1 June 2012. Dr. Wang graduated from Tianjin University with a Bachelor's Degree in Technical Economics in 1992, a Master's Degree in Technical Economics in 1995 and obtained a Doctoral Degree in Economics from Nankai University in 2006. Dr. Wang has extensive experience in corporate management. Prior to joining the Company, he had served various executive roles in Tianjin Hi-Tech Industrial Park Development Corporation (天津新技術產業園區開發總公司) including project manager, assistant to general manager and deputy general manager, and was with Tianjin Timing Seals Co., Ltd. (now known as John Crane Timing Seals Co., Ltd.) as assistant to general manager. During the period from 2001 to 2006, he served as vice chairman, chairman and general manager of Tianjin Hi-Tech Development Co., Ltd. (天津海泰科技發展股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange. He was a deputy general manager of Tianjin Hi-Tech Holding Group Co., Ltd. (天津海泰控股集團有限公司) from 2006 to early 2012. Dr. Wang is currently a director and deputy general manager of Tsinlien Group Company Limited and a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828).

Mr. TUEN Kong, Simon, aged 50, was appointed as an Executive Director of the Company on 27 March 2013. He also serves as Deputy General Manager, Chief Financial Officer and Company Secretary of the Company. Mr. Tuen graduated from the Hong Kong Polytechnic University with a Master Degree in Business Management. Before joining the Company, he had held various positions in a number of listed companies and is experienced in corporate finance and treasury management. Starting with Ernst & Young in 1989 and then Deloitte Touche Tohmatsu in 1991 as a tax consultant, he spent 10 years afterwards in corporate banking, direct investment, merger and acquisition and company secretarial related works and held executive positions as vice president and director of finance and treasury. From 2001 to 2006, he served as Deputy General Manager of the Company. Prior to re-joining the Company in October 2009, he worked as a consultant for China investment with MTR Corporation Limited.

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, Edward, aged 63, was appointed as an independent non-executive director of the Company in November 1997 and re-designated as Non-Executive Director of the Company in September 2004. He received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is also an independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely Hop Hing Group Holdings Limited (Stock Code: 47) and Agile Property Holdings Limited (Stock Code: 3383). He is also a non-executive director of a number of companies listed on the Stock Exchange, namely SmarTone Telecommunications Holdings Limited (Stock Code: 315), SUNeVision Holdings Ltd. (Stock Code: 8008), Tai Sang Land Development Limited (Stock Code: 89) and SRE Group Limited (Stock Code: 1207). In addition, he is currently a director of The Community Chest of Hong Kong, the deputy chairman and a council member of The Open University of Hong Kong and a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance. Mr. Cheung was a member of the Board of Review (Inland Revenue Ordinance) until 31 December 2010 and a deputy chairman of the Hong Kong Institute of Directors Limited until 30 June 2010, he also served as an independent non-executive director in Ping An Insurance (Group) Company of China, Ltd. (Stock Code: 2318) until 3 June 2009, a company whose shares are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS (Cont'd)

Dr. CHAN Ching Har, Eliza, *JP, BBS, LL.D. (Hon)*, aged 56, was appointed as Non-Executive Director of the Company on 27 October 2009. She is also a member of the Investment Committee of the Company. Dr. Chan is a Senior Consultant of Boughton Peterson Yang Anderson, Solicitors. She is a Member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), a Standing Member of the CPPCC Tianjin Committee, the Foreign Economic Affairs Legal Counsel to the Tianjin Municipal People's Government, an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC), and a China-Appointed Attesting Officer appointed by the Ministry of Justice. She also serves as Chairman of Kowloon Hospital, Chairman of Hong Kong Eye Hospital, Chairman of Pensions Appeal Panel, Member of The Medical Council of Hong Kong, Member of Hospital Governing Committee of Queen Elizabeth Hospital, Member of the Administrative Appeals Board, Investigation Panel Member of the Hong Kong Institute of Certified Public Accountants and the Legal Advisor to The Hong Kong Chinese Enterprises Association. Dr. Chan is the Executive Vice-President of the Hong Kong CPPCC (Provincial) Members Association, Honorary President of The Hong Kong China Chamber of Commerce, a Governor of The Canadian Chamber of Commerce in Hong Kong and a Member of the Board of the Hong Kong Science and Technology Park Corporation. She was also formerly a Member of the Hong Kong Hospital Authority, Member of the Hong Kong Public Service Commission, Member of the Board of Education, Member of the Hong Kong Examination and Assessment Authority, Council Member of The Hong Kong University of Science and Technology and Member of the Hong Kong Immigration Tribunal. She served as a Non-Executive Director of China Aerospace International Holdings Limited (Stock Code: 31) until 26 March 2012, a company whose shares are currently listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 85, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a postgraduate diploma from Imperial College of Science and Technology, London. He has been awarded Honorary Doctoral Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Open University of Hong Kong, and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers, United Kingdom and the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. He is also an authorized person and registered structural engineer. Dr. Cheng is a former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a Standing Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC) and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Dr. Cheng is currently an independent non-executive director of Wing Hang Bank, Limited (Stock Code: 302), Hang Lung Group Limited (Stock Code: 10), Hang Lung Properties Limited (Stock Code: 101) and Agile Property Holdings Limited (Stock Code: 3383), all companies are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, ASA*, aged 63, was appointed as an Independent Non-Executive Director of the Company on 27 October 2009. He is also the Chairman of the Investment Committee, a member of the Audit Committee, thr Remuneration Committee and the Nomination Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also a Fellow of CPA Australia and an associate of The Taxation Institute of Hong Kong. Mr. Mak has over 34 years of experience in the taxation field. He has extensive experience in Hong Kong corporate and individual tax planning and has assisted a vast number of clients in South East Asia in developing effective tax strategies to minimize their tax exposure in the region. As an expert in Hong Kong, United States and international taxation, Mr. Mak is frequently invited to speak at tax seminars organized by various professional associations and educational institutions. He is a frequent contributing author to various local and international newspapers and professional journals. Mr. Mak was formerly an assessor with the Inland Revenue Department. In July 2006, he joined Mazars Tax Services Limited ("Mazars") as an executive director and then became its managing director in January 2008. Before joining Mazars, Mr. Mak was a tax principal in Ernst & Young and took an early retirement in January 2004 to pursue his governorship of Rotary International District 3450 and also his own consulting business. Currently, Mr. Mak is the treasurers of H5N1 Concern Group and The Hong Kong International Film Festival Society Limited; a member of Hong Kong Professional Consultants Association, Tax Specialization Development Committee of Hong Kong Institute of Certified Public Accountants and School Management Committee of Hotung Secondary School. Previously, Mr. Mak had served as the president of The Taxation Institute of Hong Kong; the vice chairman of Steering Committee of Hong Kong Network of Virtual Enterprises; the governor of Rotary International District 3450; the chairman of Practice Firm Steering Committee of Hong Kong Institute of Vocational Education (Tsing Yi) and District Rotary Foundation Committee of Rotary International District 3450; a treasurer of The Hong Kong Road Safety Association and Senior Citizen Home Safety Association; a member of taxation committee of Hong Kong Institute of Certified Public Accountants; a member of the Road Safety Council, Joint Liaison Committee on Taxation, Hospital Authority Public Complaints Committee, Hospital Governing Committee of Hong Kong Eye Hospital and Kowloon Hospital; and a part-time member of Hong Kong Government's Central Policy Unit. Mr. Mak is also an independent non-executive director of Hsin Chong Construction Group Limited (Stock Code: 404), a company whose shares are listed on the Stock Exchange.

Ms. NG Yi Kum, Estella, aged 55, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Ms. Ng is the Chief Financial Officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company whose shares are listed on the Stock Exchange. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited ("Hang Lung"), a company whose shares are listed on the Stock Exchange. Prior to her joining in Hang Lung in 2003, she was employed by the Stock Exchange in a number of senior positions, most recently as senior vice president of the Listing Division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority. Ms. Ng is also an independent non-executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Cypress Jade Agricultural Holdings Limited (formerly Ever Fortune International Holdings Limited) (Stock Code: 875), all companies are listed on the Stock Exchange. She is also an independent non-executive director of China Mobile Games and Entertainment Group Limited, a company whose shares are listed by way of American Depositary Shares on the Nasdaq Global Market in the United States.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. WONG Shiu Hoi, Peter, aged 72, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is currently an overseas business advisor of Haitong Securities Company Limited, the immediate past chairman and council member of The Hong Kong Institute of Directors as well as a director of the Hong Kong Securities and Investment Institute. He is also an independent non-executive director of High Fashion International Limited (Stock Code: 608), a company whose shares are listed on the Stock Exchange. Mr. Wong was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited (Stock Code: 665) until 29 April 2011 and was an independent non-executive director of Theme International Holdings Limited (Stock Code: 990) until 26 November 2009, all of these companies are listed on the Stock Exchange.

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 63, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Dr. Loke holds a Master of Business Administration Degree from the Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. He is a Fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries. Dr. Loke has over 37 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He is currently the company secretary of Minth Group Limited (Stock Code: 425) and serves as an independent non-executive director of Matrix Holdings Limited (Stock Code: 1005), VODone Limited (Stock Code: 82), Bio-Dynamic Group Limited (Stock Code: 39), China Fire Safety Enterprise Group Limited (Stock Code: 445), Winfair Investment Company Limited (Stock Code: 287), SCUD Group Limited (Stock Code: 1399), Zhong An Real Estate Limited (Stock Code: 672) and Chiho-Tiande Group Limited (Stock Code: 976), all of these companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. ZHAO Wei, aged 44, was appointed as Deputy General Manager of the Company on 31 December 2012. Mr. Zhao graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics major in International Economic and Technology Cooperation in 1992 and a Master's Degree in Economics major in Finance in 1999. He is familiar with both foreign and domestic capital markets and has extensive experience in business and corporate management. Prior to joining the Company, he has worked in various roles including assistant to manager of Dealing Department, manager of International Business Department, deputy general manager of Securities Investment Department in Northern International Trust and Investment Company Limited (北方國際信託投資股份有限公司) during the period from 1992 to 2005. Mr. Zhao was appointed as the general manager of Tianjin Development Assets Management Co., Ltd. in March 2010 and served as assistant to general manager of the Company since January 2011.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best practices. This Corporate Governance Report describes the way the Company has applied the principles of the Code on Corporate Governance Practices (the "CG Code") (effective until 31 March 2012) and the Corporate Governance Code (the "New CG Code") (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the CG Code and the New CG Code throughout the year except that the executive directors of the Company (save for the Chairman of the Board, who has a service agreement with the Company) do not have formal letters of appointment, which deviates from the requirement under code provision D.1.4 of the New CG Code.

As of the end of March 2013, the Company has fully complied with this code provision by entering into formal letters of appointment with all executive directors of the Company detailing the terms and conditions of their appointment, duties and responsibilities.

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

The Board of Directors

The overall management of the Company is vested in the Board. The executive directors are responsible for the day-to-day management of the Company's businesses and to conduct regular meetings with the senior management of the Company. The Board focuses its attention on matters affecting the Company's strategic policies which include future growth and development, financial statements, dividend policy, annual budget, significant changes in accounting policy, major financing arrangements and investments, risk management strategies and treasury policies. The abovementioned matters are monitored and approved by the Board and decisions relating to such matters are subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the Board.

The Company has a formal schedule of matters specifically reserved to the Board for its decision, which include the matters referred to in the above paragraph. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the scope of powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Company has formalized the functions reserved to the Board and those delegated to management. It reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company. During the year, the Board has adopted a corporate governance guidelines with reference to the New CG Code pursuant to which the Board is directly responsible for performing the corporate governance duties.

Corporate Governance Report

The Board of Directors (Cont'd)

As at 31 December 2012, the Board comprises fourteen members consisting of seven executive directors and seven non-executive directors of whom five are independent non-executive directors. The details of the composition of the Board are as follows:

Executive Directors

Mr. Yu Rumin *(Chairman)*	
Mr. Wu Xuemin *(General Manager)*	
Mr. Dai Yan	
Mr. Bai Zhisheng	
Mr. Zhang Wenli	
Mr. Wang Zhiyong	
Dr. Wang Weidong	(appointed on 1 June 2012)
Dr. Gong Jing	(retired on 31 May 2012)

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan	
Mr. Mak Kwai Wing, Alexander	
Ms. Ng Yi Kum, Estella	
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)
Dr. Loke Yu	(appointed on 21 December 2012)

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider each of them independent.

Coming from different professional backgrounds, all directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. The non-executive directors have brought their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The independent non-executive directors contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board. The biographical details of each director are disclosed on pages 15 to 20 of this Annual Report.

Non-executive directors are appointed for a specific term and subject to retirement by rotation and re-election at the general meeting in accordance with the Articles of Association. A letter of appointment has been entered into between the Company and each of the non-executive directors and independent non-executive directors.

Corporate Governance Report

The Board of Directors (Cont'd)

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, any Director appointed by the Board during the year shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) immediately following his or her appointment, and shall then be eligible for re-election at such relevant meetings.

To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/ relevant relationship(s)) between members of the Board.

The Company has arranged appropriate insurance cover in respect of directors' and officers' liabilities for the members of the Board.

Board Proceedings

All members of the Board meet in person regularly and have full and timely access to relevant information. Moreover, the Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense, if necessary. All directors are required to declare their interests, if any, in any transaction, or proposal to be considered at Board meetings and to abstain from voting on any related resolutions.

The Articles of Association contain description of responsibilities and operation procedures of the Board. Board meetings include regular meetings and other meetings.

Corporate Governance Report

Board Proceedings (Cont'd)

In 2012, the Board held four regular meetings. Due notice and board papers were given to all directors prior to the Board meetings in accordance with the Articles of Association and the New CG Code. The attendance records of each member of the Board are set out below:

Name of Director		Attendance of Board Meetings
Executive Directors		
Mr. Yu Rumin *(Chairman)*		3/4
Mr. Wu Xuemin *(General Manager)*		4/4
Mr. Dai Yan		4/4
Mr. Bai Zhisheng		2/4
Mr. Zhang Wenli		1/4
Mr. Wang Zhiyong		4/4
Dr. Wang Weidong	(appointed on 1 June 2012)	2/2
Dr. Gong Jing	(retired on 31 May 2012)	0/2
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		4/4
Dr, Chan Ching Har, Eliza		4/4
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		4/4
Mr. Mak Kwai Wing, Alexander		4/4
Ms. Ng Yi Kum, Estella		4/4
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)	0/0
Dr. Loke Yu	(appointed on 21 December 2012)	0/0

The minutes of the Board meetings are prepared by the Company Secretary with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the Board or views expressed.

Corporate Governance Report

Chairman and General Manager

The code provision A.2.1 of the New CG Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Chairman is responsible for deciding the agenda of Board meetings, taking into account where appropriate matters proposed by other directors for inclusion in the agenda, and has an overall responsibility for providing leadership, vision and direction in the development of the business of the Company. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, the Chairman also ensures that the non-executive directors make contribution at the Board meetings.

The General Manager, assisted by other executive directors, is responsible to the Board for the day-to-day management of the Company, and attends to formulation and successful implementation of policies. Working with the executive management team of each core business division, the General Manager ensures smooth operations and development of the Company and keeps all other directors fully informed of all major business developments and issues. The General Manager is also responsible for building and maintaining an effective team to support him in managing the business of the Company.

Such division of responsibilities allows a balance of power between the Board and the management of the Company and ensures their independence and accountability. Their responsibilities are clearly segregated and have been set out in writing.

Responsibilities

The Company views well-developed and timely reporting systems and internal controls as essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

In the course of discharging their duties, the directors act in good faith with due diligence and care and in the best interests of the Company and its shareholders. Their responsibilities include:

— regular board meetings focusing on business strategy, operational issues and financial performance;

— active participation on the boards of subsidiaries and associates;

— monitoring the quality, punctuality, relevance and reliability of internal and external reporting;

— monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and

— ensuring the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and professional ethics.

Corporate Governance Report

Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. In October 2012, an in-house training session was conducted by Woo, Kwan, Lee & Lo for directors on topics including directors' duties and disclosure of price-sensitive information. Further, monthly updates on the Company's performance, position and prospects are also provided. The types of continuous professional development activities undertaken by the directors during the year are summarized as below:

Name of Director		Types of Continuous Professional Development Activities
Executive Directors		
Mr. Yu Rumin *(Chairman)*		A
Mr. Wu Xuemin *(General Manager)*		A
Mr. Dai Yan		A
Mr. Bai Zhisheng		C
Mr. Zhang Wenli		A
Mr. Wang Zhiyong		A
Dr. Wang Weidong	(appointed on 1 June 2012)	A
Dr. Gong Jing	(retired on 31 May 2012)	N/A
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		B
Dr. Chan Ching Har, Eliza		A
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		A
Mr. Mak Kwai Wing, Alexander		B
Ms. Ng Yi Kum, Estella		B
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)	N/A
Dr. Loke Yu	(appointed on 21 December 2012)	N/A

notes:

A: attending in-house training session
B: attending relevant conferences/seminars/workshops
C: reading relevant materials

Corporate Governance Report

Board Committees

As a part of good corporate governance, the Board has established the Audit Committee, Remuneration Committee, Investment Committee and Nomination Committee to oversee the particular aspect of the Company's affairs. These committees have been formed with specific written terms of reference which deal clearly with the committees' authority and duties. During the year, the Board has revised the terms of reference of these committees in order to align with the New CG Code. Copies of these revised terms of reference are available at the websites of the Company and the Stock Exchange.

Remuneration Committee

The Remuneration Committee was established in 2005 and is currently consisted of two independent non-executive directors, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander and one executive director, Mr. Wu Xuemin. It is chaired by Dr. Cheng Hon Kwan. A written terms of reference of the Remuneration Committee, which describes the authority and duties of the Remuneration Committee, are reviewed and updated by the Board from time to time to comply with the provision of the New CG Code.

The principal responsibilities of the Remuneration Committee are to review and consider the Company's policy for the remuneration of directors and senior management and make recommendations to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee considers several factors such as time commitment, experience and responsibilities of the individual and the prevailing market condition before determining the remuneration packages including benefits in kind, pension rights and compensation payments. It also recommends to the Board on the remuneration of non-executive directors.

In 2012, the Remuneration Committee held four meetings and also dealt with matters by way of resolutions in writing. During the meetings, the remuneration policy, remuneration packages and bonus arrangements of the directors and senior management have been discussed and approved. The attendance of committee members is recorded below:

Name of Director	**Attendance of Remuneration Committee Meetings**
Dr. Cheng Hon Kwan *(Chairman)*	4/4
Mr. Mak Kwai Wing, Alexander	4/4
Mr. Wu Xuemin	4/4

The Remuneration Committee held a meeting on 29 January 2013. At the meeting, bonuses for the Company's directors, senior management and employees for the year ended 31 December 2012 were considered and approved. All members were present at the meeting.

Details of the emoluments of the directors and the interests of the directors in the share options of the Company during the year ended 31 December 2012 are set out in Note 9 and Note 31 to the financial statements respectively.

Corporate Governance Report

Audit Committee

The Audit Committee currently consists of five independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu. It is chaired by Ms. Ng Yi Kum, Estella. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to discuss the audit process and the accounting and internal control issues. A written terms of reference, which describes the authority and duties of the Audit Committee, are reviewed and updated by the Board from time to time to comply with the provision of the New CG Code.

Set out below is a summary of work performed by the Audit Committee in 2012:

— reviewed the financial statements for the year ended 31 December 2011 and for the six months ended 30 June 2012;

— reviewed internal control matters with the external consultant;

— reviewed the external auditor's statutory audit plan and letters to the management; and

— considered 2012 audit fees and audit work.

The Audit Committee held two meetings in 2012. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also discussed material uncertainties which may be brought about by the global economic crisis, reviewed the internal audit function of the Company, and reported a summary of their work to the Board for discussion. The attendance of committee members is recorded below:

Name of Director		**Attendance of Audit Committee Meetings**
Ms. Ng Yi Kum, Estella *(Chairman)*		2/2
Dr. Cheng Hon Kwan		2/2
Mr. Mak Kwai Wing, Alexander		2/2
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)	0/0
Dr. Loke Yu	(appointed on 21 December 2012)	0/0

Corporate Governance Report

Investment Committee

The Investment Committee was established in April 2010 and currently comprises of three members, Mr. Mak Kwai Wing, Alexander, independent non-executive director, Dr. Chan Ching Har, Eliza, non-executive director and Mr. Wang Zhiyong, executive director. It is chaired by Mr. Mak Kwai Wing, Alexander.

The Investment Committee reports directly to the Board and reviews matters in relation to evaluation of business plans, formulation of proper procedures for investment projects as well as the adequacy of controls and monitoring ongoing risk factors. A written terms of reference, which describes the authority and duties of the Investment Committee, are reviewed and updated by the Board from time to time to comply with the provision of the New CG Code.

During the year, the Investment Committee held one meeting and also dealt with matters by way of resolutions in writing. At the meeting, the members of the Investment Committee have discussed and reviewed the major and connected transactions in relation to the acquisition of (1) 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) and (2) 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司). Details of the transactions may be referred to the Company's announcement dated 1 November 2012 and circular to the shareholders dated 22 November 2012. The attendance of committee members is recorded below:

Name of Director	Attendance of Investment Committee Meeting
Mr. Mak Kwai Wing, Alexander *(Chairman)*	1/1
Dr. Chan Ching Har, Eliza	1/1
Mr. Wang Zhiyong	1/1

Nomination Committee and Appointment of Directors

The Nomination Committee was established on 13 December 2011 and currently consists of three independent non-executive directors, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Ms. Ng Yi Kum, Estella and two executive directors, Mr. Yu Rumin and Mr. Wu Xuemin. It is chaired by Mr. Yu Rumin.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. A written terms of reference, which describes the authority and duties of the Nomination Committee, are reviewed and updated by the Board from time to time to comply with the provision of the New CG Code.

Corporate Governance Report

Nomination Committee and Appointment of Directors (Cont'd)

During the year, the Nomination Committee held one meeting and also dealt with matters by way of resolutions in writing. At the meeting, the eligibility of the directors seeking for re-election at the annual general meeting and the independence of the independent non-executive directors have been reviewed and assessed. The existing size of the Board has also been reviewed. The attendance of committee members is recorded below:

Name of Director	Attendance of Nomination Committee Meeting
Mr. Yu Rumin *(Chairman)*	0/1
Dr. Cheng Hon Kwan	1/1
Mr. Mak Kwai Wing, Alexander	1/1
Ms. Ng Yi Kum, Estella	1/1
Mr. Wu Xuemin	1/1

According to the Articles of Association, the Board has the power at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new director, the Nomination Committee and the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. During the year, two new independent non-executive directors were appointed.

Directors who are appointed by the Board shall hold office only until next the following general meeting (in the case of filling a casual vacancy) or until the next annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election. At each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years.

Each of the directors on appointment to the Board is provided with a package of orientation materials setting out the duties and responsibilities of directors under the Listing Rules and other applicable statutory and regulatory requirements. The orientation meeting with newly appointed directors have been held for briefing on business and operations of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year 2012.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of 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.

Corporate Governance Report

External Auditor

Deloitte Touche Tohmatsu ("Deloitte") has been appointed as independent auditors of the Group. The Audit Committee has reviewed Deloitte's proposal in respect of their scope of work and fees for the audit of 2012. Deloitte has carried out statutory audit in relation to the Company's financial statements prepared under the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and the Hong Kong Companies Ordinance ("Companies Ordinance") for the year 2012 and also reviewed the 2012 unaudited interim financial statements of the Company in accordance with the HKFRSs.

During the year, the fees paid to Deloitte in respect of audit services amounted to approximately HK$4,800,000 and non-audit services in relation to financial due diligence and internal control review amounted to approximately HK$6,000,000.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal control of the Company and its subsidiaries and reviewing the effectiveness of such control. During the year, the Board has engaged RSM Nelson Wheeler Consulting Limited ("RSM Nelson Wheeler") to perform internal audit to assess the effectiveness of the Group's internal control system. The review covers all material controls, including financial, operational, compliance control and risk management functions of the Company and its major subsidiaries on a rotation basis.

The system of internal control is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

At the Audit Committee meeting held on 18 March 2013, RSM Nelson Wheeler reported their review work done for the year ended 31 December 2012 in accordance with the risk-based audit plan. On 27 March 2013, the Board together with the senior management have reviewed, considered and discussed all the findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Company has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the review.

GOING CONCERN

The directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure that shareholders are being kept well informed of business development. These include general meetings, annual reports, various notices, announcements and circulars. The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. Shareholders may make enquiries to the Board in writing for the attention of the Company Secretary at Suites 7-13, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or via email at ir@tianjindev.com.

Corporate Governance Report

The general meetings provide a useful forum for the shareholders of the Company to express their views and comments and the shareholders are encouraged to attend the general meetings of the Company to exchange views with the Board. The Chairman, directors, board committees' members and external auditor, where appropriate, are available to answer questions at the meetings. The 2012 annual general meeting of the Company was held on 31 May 2012 and detailed procedures for conducting a poll has been explained by the Chairman during the meeting. The attendance of each Board member is recorded below:

Name of Director		**Attendance of General Meeting**
Executive Directors		
Mr. Yu Rumin *(Chairman)*		1/1
Mr. Wu Xuemin *(General Manager)*		1/1
Mr. Dai Yan		1/1
Mr. Bai Zhisheng		0/1
Mr. Zhang Wenli		0/1
Mr. Wang Zhiyong		0/1
Dr. Wang Weidong	(appointed on 1 June 2012)	0/0
Dr. Gong Jing	(retired on 31 May 2012)	0/1
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		1/1
Dr. Chan Ching Har, Eliza		1/1
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi Kum, Estella		1/1
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)	0/0
Dr. Loke Yu	(appointed on 21 December 2012)	0/0

Corporate Governance Report

Procedures for Convening of Extraordinary General Meeting on Requisition

Pursuant to section 113 of the Companies Ordinance, shareholders holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may request the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting and must be signed by the shareholders concerned and deposited at the registered office of the Company.

If the directors of the Company do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date.

Procedures for Putting Forward Proposals at General Meetings

Pursuant to section 115A of the Companies Ordinance, any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an annual general meeting to which the requisition relates; or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may put forward a proposal at the general meetings.

The written requisition must state the proposed resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and signed by the shareholders concerned and deposited at the registered office of the Company not less than 6 weeks before the meeting in the case of a requisition requiring notice of a resolution; and not less than 1 week before the meeting in the case of any other requisition.

CONSTITUTIONAL DOCUMENT

During the year, there was no change in the memorandum and articles of association of the Company. Such document is available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 45 to 46 of this Annual Report.

Report of the Directors

The directors of the board are pleased to present their report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly-controlled entities are set out in Notes 44, 45 and 46 to the financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 are set out in the consolidated income statement on page 47.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2012.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 32 to the financial statements and the consolidated statement of changes in equity respectively.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK$4,800,000 (2011: HK$1,200,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 30 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2012 are set out in Note 33 to the financial statements.

Report of the Directors

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, during the year and up to the date of this Report, the directors of the Company are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules.

On 18 February 2011, the Company entered into a facility agreement (the "Facility Agreement") with a syndicate of banks (the "Banks") in respect of a HK$2,000 million term loan facility for a period up to 60 months unless not extended by the Banks at the 36th month from the date of the Facility Agreement.

Pursuant to the Facility Agreement, it will be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien Group Company Limited ("Tsinlien").

If any of the abovementioned events of default occurs, the Banks may by notice to the Company (a) cancel the total commitments; (b) declare that the loan together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan be repayable on demand.

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 2012.

DIRECTORS

The directors of the Company during the year and up to the date of this Report are:

Executive Directors

Mr. Yu Rumin *(Chairman)*	
Mr. Wu Xuemin *(General Manager)*	
Mr. Dai Yan	
Mr. Bai Zhisheng	
Mr. Zhang Wenli	
Mr. Wang Zhiyong	
Dr. Wang Weidong	(appointed on 1 June 2012)
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)
Dr. Gong Jing	(retired on 31 May 2012)

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Report of the Directors

DIRECTORS (Cont'd)

Independent Non-Executive Directors

Dr. Cheng Hon Kwan	
Mr. Mak Kwai Wing, Alexander	
Ms. Ng Yi Kum, Estella	
Mr. Wong Shiu Hoi, Peter	(appointed on 21 December 2012)
Dr. Loke Yu	(appointed on 21 December 2012)

In accordance with Article 92 of the Company's Articles of Association, Dr. Wang Weidong, Mr. Tuen Kong, Simon, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Mr. Yu Rumin, Mr. Wang Zhiyong, Dr. Chan Ching Har, Eliza and Mr. Mak Kwai Wing, Alexander will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 20.

DIRECTORS' SERVICE CONTRACT

Mr. Yu Rumin has entered into a service agreement with the Company for a period of three years commencing 1 December 1997 and will continue thereafter until terminated by either party giving not less than six months' written notice to the other.

Save as disclosed above, none of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this Report, none of the directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, or its holding company was a party and in which the directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the underlying shares of the Company

Name of director	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	4,600,000	0.43%
Mr. Wu Xuemin	8,200,000	0.77%
Mr. Dai Yan	8,300,000	0.78%
Mr. Bai Zhisheng	1,400,000	0.13%
Mr. Zhang Wenli	1,400,000	0.13%
Mr. Wang Zhiyong	6,500,000	0.61%
Dr. Wang Weidong	2,800,000	0.26%
Mr. Cheung Wing Yui, Edward	1,000,000	0.09%
Dr. Chan Ching Har, Eliza	500,000	0.05%
Dr. Cheng Hon Kwan	1,000,000	0.09%
Mr. Mak Kwai Wing, Alexander	500,000	0.05%
Ms. Ng Yi Kum, Estella	500,000	0.05%

notes:

1. All interests are held in the capacity as a beneficial owner.
2. All interests stated above represent long positions.
3. Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

(ii) Interests in the underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	Tianjin Port	Personal interest	Beneficial owner	3,450,000	0.06%
Mr. Dai Yan	Tianjin Port	Personal interest	Beneficial owner	1,650,000	0.03%
Mr. Bai Zhisheng	Dynasty	Personal interest	Beneficial owner	2,300,000	0.18%

Save as disclosed above, as at 31 December 2012, none of the directors or chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Share Option Scheme") of the Company was approved by shareholders of the Company. The relevant information in respect of the Share Option Scheme is set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants.

(b) Participants of the Share Option Scheme

The Board may offer to grant options to the participants which shall refer to (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any substantial shareholders of the Company or any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professionals and other advisers to each member of the Group; (iv) any chief executives or substantial shareholders of each member of the Group; (v) any associates of director, chief executive or substantial shareholder of each member of the Group; (vi) any employees (whether full-time or part-time) of substantial shareholder of each member of the Group; (vii) any suppliers of goods or services to any member of the Group; and (viii) any customers of any member of the Group, provided that the Board shall have absolute discretion to determine whether one falls within the aforesaid categories.

(c) Total number of shares available for issue under the Share Option Scheme

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares available for issue under the Share Option Scheme are 41,562,012 shares, representing approximately 3.89% of the total number of shares of the Company in issue as at the date of this Report.

(d) Maximum entitlement of each participant

Except with the approval of the Company's shareholders at general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue as at the date of grant.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

(e) Minimum period for options to be held

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board.

(f) Period and payment on acceptance of options

An offer of grant of an option may be accepted by a grantee within the date as specified in the offer letter issued by the Company, being a date not later than 30 days after the date on which the offer letter was issued. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

(g) Basis of determining the exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to the participants and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(h) Life of the Scheme

Subject to earlier termination by the Company at general meeting or by the Board, the life of the Share Option Scheme commenced from 25 May 2007, the date of adoption, and will end on 24 May 2017.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

Details of options granted, exercised, lapsed or cancelled and outstanding under the Share Option Scheme during the year are as follows:

	Date of Grant	Exercise Price per share *HK$*	Number of share options						Exercise Period
			As at 1 January 2012	During the year				As at 31 December 2012	
				Granted (note 1)	Exercised	Lapsed	Cancelled		
Directors									
Yu Rumin	19/12/2007	8.04	1,000,000	—	—	—	—	1,000,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	2,000,000	—	—	—	—	2,000,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	800,000	—	—	—	—	800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	800,000	—	—	—	800,000	19/12/2012 – 24/05/2017
Wu Xuemin	16/12/2009	5.75	1,800,000	—	—	—	—	1,800,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	3,200,000	—	—	—	—	3,200,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	3,200,000	—	—	—	3,200,000	19/12/2012 – 24/05/2017
Dai Yan	19/12/2007	8.04	900,000	—	—	—	—	900,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	1,400,000	—	—	—	—	1,400,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	3,000,000	—	—	—	—	3,000,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	3,000,000	—	—	—	3,000,000	19/12/2012 – 24/05/2017
Bai Zhisheng	19/12/2007	8.04	300,000	—	—	—	—	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	500,000	—	—	—	—	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	—	—	—	—	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	300,000	—	—	—	300,000	19/12/2012 – 24/05/2017
Zhang Wenli	19/12/2007	8.04	300,000	—	—	—	—	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	500,000	—	—	—	—	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	—	—	—	—	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	300,000	—	—	—	300,000	19/12/2012 – 24/05/2017
Wang Zhiyong	16/12/2009	5.75	900,000	—	—	—	—	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	2,800,000	—	—	—	—	2,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	2,800,000	—	—	—	2,800,000	19/12/2012 – 24/05/2017
Wang Weidong	19/12/2012	4.06	—	2,800,000	—	—	—	2,800,000	19/12/2012 – 24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.04	500,000	—	—	—	—	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	300,000	—	—	—	—	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	—	—	—	—	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	100,000	—	—	—	100,000	19/12/2012 – 24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.75	300,000	—	—	—	—	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	—	—	—	—	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	100,000	—	—	—	100,000	19/12/2012 – 24/05/2017
Cheng Hon Kwan	19/12/2007	8.04	500,000	—	—	—	—	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	300,000	—	—	—	—	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	—	—	—	—	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	100,000	—	—	—	100,000	19/12/2012 – 24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.75	300,000	—	—	—	—	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	—	—	—	—	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	100,000	—	—	—	100,000	19/12/2012 – 24/05/2017
Ng Yi Kum, Estella	03/12/2010	6.07	300,000	—	—	—	—	300,000	03/12/2010 – 24/05/2017
	07/11/2011	3.56	100,000	—	—	—	—	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	100,000	—	—	—	100,000	19/12/2012 – 24/05/2017
Gong Jing (note 2)	16/12/2009	5.75	500,000	—	—	500,000	—	—	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	—	—	300,000	—	—	11/11/2011 – 24/05/2017
Wang Jiandong (note 3)	19/12/2007	8.04	600,000	—	—	600,000	—	—	17/01/2008 – 24/05/2017
	16/12/2009	5.75	900,000	—	—	900,000	—	—	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	—	—	300,000	—	—	11/11/2011 – 24/05/2017
Sun Zengyin (note 3)	19/12/2007	8.04	300,000	—	—	300,000	—	—	17/01/2008 – 24/05/2017
	16/12/2009	5.75	500,000	—	—	500,000	—	—	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	—	—	300,000	—	—	11/11/2011 – 24/05/2017
Continuous contract employees (note 4)	16/12/2009	5.75	900,000	—	—	—	—	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	5,000,000	—	—	—	—	5,000,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	—	5,100,000	—	—	—	5,100,000	19/12/2012 – 24/05/2017
Total			32,600,000	18,800,000	—	3,700,000	—	47,700,000	

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

notes:

1. Pursuant to the Share Option Scheme, a total of 18,800,000 share options were granted on 19 December 2012 and accepted by the grantees on the same day, with an exercise price of HK$4.06 and are exercisable from 19 December 2012 to 24 May 2017. The closing price of the shares immediately before the date on which these share options were granted was HK$4.00.

2. The share options of Dr. Gong Jing lapsed on 31 August 2012 due to his retirement on 31 May 2012.

3. The share options of Dr. Wang Jiandong and Mr. Sun Zengyin lapsed on 31 March 2012 due to their resignation as directors of the Company on 31 December 2011.

4. A total of 600,000 share options will lapse on 20 March 2013 due to the resignation of a continuous contract employee on 20 December 2012.

Details of the accounting policy adopted for the options and the value of options granted under the Share Option Scheme during the year ended 31 December 2012 are set out in Notes 2(q) and 31 to the financial statements respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as follows:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of interests to the issued share capital
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1	Interest of controlled corporation Interest of controlled corporation	629,911,143 (L) 220,298,109 (S)	59.01% 20.64%
Tsinlien	2 3	Interest of controlled corporation Interest of controlled corporation	629,911,143 (L) 220,298,109 (S)	59.01% 20.64%
Blackrock Inc.	4	Interest of controlled corporation Interest of controlled corporation	127,211,753 (L) 247,153 (S)	11.91% 0.02%
BlackRock Global Allocation Fund, Inc.	5	Directly beneficially owned	73,974,454 (L)	6.92%
Humphreys Estate (Strawberry Houses) Limited ("Humphreys Estate")	6	Directly beneficially owned	53,426,000 (L)	5.00%
Tomson Group Limited ("Tomson Group")	7	Interest of controlled corporation	53,426,000 (L)	5.00%
Ms. Hsu Feng	7	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Albert Tong	7	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Tong Chi Kar, Charles	7	Interest of controlled corporation	53,426,000 (L)	5.00%

"L" denotes a long position in shares
"S" denotes a short position in shares

notes:

1. On 30 November 2012, the Company was informed that the entire issued share capital of Tsinlien will be transferred to Tianjin Pharmaceutical, a state-owned enterprise wholly-owned by the Tianjin Municipal People's Government. By virtue of the SFO, Tianjin Pharmaceutical is deemed to have an interest in the shares in which Tsinlien is interested. Details may refer to the announcement made by the Company dated 30 November 2012.

2. As at 31 December 2012, Tsinlien directly held 11,298,000 shares and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited ("Tianjin Investment"), Tsinlien Venture Capital Company Limited ("Tsinlien Venture Capital") and Tsinlien Investment Limited ("Tsinlien Investment") held 568,017,143 shares, 2,022,000 shares and 48,574,000 shares respectively. By virtue of the SFO, Tsinlien is therefore deemed to have an interest in the shares in which Tianjin Investment, Tsinlien Venture Capital and Tsinlien Investment are interested.

3. Tsinlien is deemed to have a short position of 220,298,109 shares of the Company, whereby Bright North Limited, a wholly-owned subsidiary of Tsinlien, has issued an aggregate of RMB1,638,000,000 U.S. Dollar Settled 1.25 per cent. Guaranteed Exchangeable Bonds due 2016 guaranteed by Tsinlien and exchangeable into ordinary shares of the Company at an exchangeable price of HK$8.831 per share.

4. Such information is based on a corporate substantial shareholder notice filed by Blackrock, Inc. on 26 December 2012.

5. Such information is based on a corporate substantial shareholder notice filed by BlackRock Global Allocation Fund, Inc. on 26 December 2012.

6. Based on a corporate substantial shareholder notice, Humphreys Estate is an indirect wholly-owned subsidiary of Tomson Group. By virtue of the SFO, Tomson Group is deemed to have an interest in the shares in which Humphreys Estate is interested.

7. Ms. Hsu Feng, Mr. Albert Tong and Mr. Tong Chi Kar, Charles are the substantial shareholders of Tomson Group. By virtue of the SFO, they are deemed to have an interest in the shares in which Tomson Group is interested.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Save as disclosed above, as at 31 December 2012, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The percentage of the Group's purchases for the year attributable to the Group's major suppliers are as follows:

— the largest supplier	56%
— five largest suppliers in aggregation	86%

None of the directors, or any of their associates or any shareholder (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in the Group's major suppliers noted above.

CONNECTED TRANSACTIONS

During the year and up to the date of this Report, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

Acquisition of (1) 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. and (2) 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.

On 1 November 2012, a non-wholly owned subsidiary of the Company, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) ("Tianjin Tai Kang"), entered into a share transfer agreement with Tianjin Benefo Machinery & Electric Holding Co., Ltd. (天津百利機電控股集團有限公司) ("Tianjin Benefo") for the acquisition of 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) at a consideration of RMB455,557,000. On the same date, Tianjin Tai Kang entered into another share transfer agreement with Tianjin Benefo for the acquisition of 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) at a consideration of RMB301,984,000. As Tianjin Benefo held 17.26% equity interest in Tianjin Tai Kang as at the date of the transactions and was therefore a connected person of the Company under the Listing Rules. Both transactions, in aggregate, constituted major and connected transactions of the Company and were completed on 31 December 2012.

Details of the above transactions may refer to the announcement made by the Company dated 1 November 2012 and a circular to the shareholders dated 22 November 2012.

Report of the Directors

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012, except for the deviations as disclosed in the Corporate Governance Report as set out on page 21.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at all times during the year.

INDEPENDENT AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu ("Deloitte") who will retire and, being eligible, offer themselves for re-appointment. Deloitte was appointed as auditor of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers in 2010.

By Order of the Board

Yu Rumin
Chairman

27 March 2013, Hong Kong

Independent Auditor's Report

德勤

TO THE MEMBERS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 127, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS (Cont'd)

Basis of qualified opinion

As set out in Note 18(a) to these consolidated financial statements, the financial information for the year ended 31 December 2012 of Dynasty (as defined in Note 45 to these consolidated financial statements), a listed associate of the Group, is not available at the date of this report. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty based on the best estimates made by the directors of the Company. In addition, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of HK$111,267,000 which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves with the appropriateness of the estimates made by the directors of the Company to account for the share of loss and net assets less impairment loss of Dynasty as we did not have sufficient access to the financial information, management and the auditor of Dynasty.

In view of the above and in the absence of any alternative procedures to be carried out in respect of the financial information of Dynasty, we are unable to satisfy ourselves as to whether (i) the Group's share of the results and other comprehensive income or expense of Dynasty for the year ended 31 December 2012 is appropriate; and (ii) the Group's share of the net assets less impairment loss of Dynasty as of 31 December 2012 is fairly stated. In addition, the required summarized financial information of Dynasty is not disclosed in accordance with Hong Kong Accounting Standard 28 "Investments in Associates".

Qualified opinion

In our opinion, except for the possible effects of the matter set out in the Basis of qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the Group's share of results and other comprehensive income or expense of, and investment in, Dynasty:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Revenue	5	**3,890,394**	3,517,032
Cost of sales		**(3,558,045)**	(3,242,249)
Gross profit		**332,349**	274,783
Other income	6	**200,729**	132,885
Other gains, net	7	**115,850**	54,678
General and administrative expenses		**(437,262)**	(377,582)
Other operating expenses		**(62,374)**	(36,238)
Finance costs	10	**(63,233)**	(33,704)
Share of profit (loss) of			
Associates	18	**458,535**	603,451
Jointly controlled entities	19	**501**	(1,088)
Profit before tax		**545,095**	617,185
Tax expense	11	**(58,375)**	(109,662)
Profit for the year	8	**486,720**	507,523
Attributable to:			
Owners of the Company		**413,094**	437,195
Non-controlling interests		**73,626**	70,328
		486,720	507,523
		HK cents	HK cents
Earnings per share	13		
Basic		**38.70**	40.96
Diluted		**38.66**	40.93

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Profit for the year		**486,720**	507,523
Other comprehensive income (losses):			
Currency translation differences			
— the Group		**2,473**	229,860
— associates		**5,824**	171,564
— jointly controlled entities		**2**	810
Change in fair value of available-for-sale financial assets	21	**24,810**	(89,314)
Reclassification adjustment for accumulated gain upon disposal of available-for-sale financial assets	21	**—**	(34,425)
Release of deferred taxation relating to the abovementioned reclassification adjustment		**—**	9,020
Share of other comprehensive income (loss) of an associate — available-for-sale revaluation reserve		**2,122**	(7,910)
Other comprehensive income for the year		**35,231**	279,605
Total comprehensive income for the year		**521,951**	787,128
Attributable to:			
Owners of the Company		**448,093**	689,783
Non-controlling interests		**73,858**	97,345
		521,951	787,128

Consolidated Balance Sheet

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,287,823**	1,685,553
Land use rights	15	**489,407**	278,151
Investment properties	16	**195,987**	134,335
Interest in associates	18	**4,944,466**	5,239,421
Interest in jointly controlled entities	19	**17,162**	16,660
Intangible assets	20	**239,808**	—
Deferred tax assets	34	**106,127**	100,051
Available-for-sale financial assets	21	**233,405**	208,595
Deposit paid for acquisition of property, plant and equipment		**—**	57,429
Goodwill	37	**158,810**	—
		8,672,995	7,720,195
Current assets			
Inventories	22	**140,285**	3,178
Amounts due from jointly controlled entities	23	**14,373**	14,580
Amount due from ultimate holding company	23	**1,379**	1,198
Amounts due from related companies	24	**22,792**	15,740
Amounts due from customers for contract work	25	**966,241**	—
Trade receivables	26	**819,148**	590,793
Notes receivables	26	**160,523**	3,206
Other receivables, deposits and prepayments	26	**550,515**	305,246
Available-for-sale financial assets	21	**—**	36,991
Financial assets at fair value through profit or loss	27	**438,167**	338,708
Entrusted deposits	28	**1,579,335**	1,638,768
Restricted bank balance	29	**102,811**	3,083
Time deposits with maturity over three months	29	**254,398**	809,174
Cash and cash equivalents	29	**3,864,901**	2,950,873
		8,914,868	6,711,538
Total assets		**17,587,863**	14,431,733

Consolidated Balance Sheet

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Owners of the Company			
Share capital	30	**106,747**	106,747
Reserves	32	**9,949,187**	9,482,322
		10,055,934	9,589,069
Non-controlling interests		**849,854**	592,936
Total equity		**10,905,788**	10,182,005
LIABILITIES			
Non-current liabilities			
Bank borrowings	33	**1,993,500**	1,987,500
Deferred tax liabilities	34	**119,071**	76,056
		2,112,571	2,063,556
Current liabilities			
Trade payables	35	**1,201,616**	379,035
Notes payables	35	**213,202**	9,458
Other payables and accruals	36	**1,884,941**	1,069,121
Amounts due to related companies	24	**491,822**	292,325
Amounts due to customers for contract work	25	**104,209**	—
Bank borrowings	33	**565,914**	362,514
Current tax liabilities		**107,800**	73,719
		4,569,504	2,186,172
Total liabilities		**6,682,075**	4,249,728
Total equity and liabilities		**17,587,863**	14,431,733
Net current assets		**4,345,364**	4,525,366
Total assets less current liabilities		**13,018,359**	12,245,561

Wu Xuemin
Director

Dai Yan
Director

Balance Sheet

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,073**	2,685
Investment properties	16	**134,335**	134,335
Interest in subsidiaries	17	**4,210,932**	3,823,031
Advances to subsidiaries	17	**4,890,707**	4,997,387
		9,238,047	8,957,438
Current assets			
Amount due from ultimate holding company	23	**2,513**	2,017
Other receivables, deposits and prepayments	26	**12,612**	10,930
Entrusted deposits	28	**1,283,479**	1,135,514
Cash and cash equivalents	29	**628,271**	617,459
		1,926,875	1,765,920
Total assets		**11,164,922**	10,723,358
EQUITY			
Owners of the Company			
Share capital	30	**106,747**	106,747
Reserves	32	**6,823,546**	6,822,819
Total equity		**6,930,293**	6,929,566
LIABILITIES			
Non-current liabilities			
Bank borrowings	33	**1,993,500**	1,987,500
Amounts due to subsidiaries	23	**2,201,026**	1,758,768
		4,194,526	3,746,268
Current liabilities			
Accruals		**40,103**	47,524
Total liabilities		**4,234,629**	3,793,792
Total equity and liabilities		**11,164,922**	10,723,358
Net current assets		**1,886,772**	1,718,396
Total assets less current liabilities		**11,124,819**	10,675,834

Wu Xuemin
Director

Dai Yan
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2012

	Note	Owners of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011		106,747	7,007,988	1,766,521	8,881,256	525,477	9,406,733
Profit for the year		—	—	437,195	437,195	70,328	507,523
Other comprehensive income for the year		—	252,588	—	252,588	27,017	279,605
Total comprehensive income for the year		—	252,588	437,195	689,783	97,345	787,128
Share-based payments							
— the Group		—	17,835	—	17,835	—	17,835
— associates		—	195	—	195	—	195
Capital contributions from non-controlling interests		—	—	—	—	21,181	21,181
Dividend		—	—	—	—	(51,067)	(51,067)
Transfer between reserves		—	48,349	(48,349)	—	—	—
Transfer upon lapse of share options		—	(3,975)	3,975	—	—	—
		—	62,404	(44,374)	18,030	(29,886)	(11,856)
At 31 December 2011		106,747	7,322,980	2,159,342	9,589,069	592,936	10,182,005
Profit for the year		**—**	**—**	**413,094**	**413,094**	**73,626**	**486,720**
Other comprehensive income for the year		**—**	**34,999**	**—**	**34,999**	**232**	**35,231**
Total comprehensive income for the year		**—**	**34,999**	**413,094**	**448,093**	**73,858**	**521,951**
Share-based payments							
— the Group		**—**	**18,210**	**—**	**18,210**	**—**	**18,210**
— associates		**—**	**562**	**—**	**562**	**—**	**562**
Dividend		**—**	**—**	**—**	**—**	**(829)**	**(829)**
Acquisition of subsidiaries	37	**—**	**—**	**—**	**—**	**183,889**	**183,889**
Transfer between reserves		**—**	**46,554**	**(46,554)**	**—**	**—**	**—**
Transfer upon lapse of share options		**—**	**(6,331)**	**6,331**	**—**	**—**	**—**
		—	**58,995**	**(40,223)**	**18,772**	**183,060**	**201,832**
At 31 December 2012		**106,747**	**7,416,974**	**2,532,213**	**10,055,934**	**849,854**	**10,905,788**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flow from operating activities			
Cash generated from operations	41	**256,521**	488,510
Interest paid		**(57,233)**	(26,727)
PRC income tax paid		**(55,789)**	(106,078)
Net cash from operating activities		**143,499**	355,705
Cash flow used in investing activities			
Interest received		**144,201**	100,505
Purchase of property, plant and equipment		**(247,760)**	(548,987)
Purchase of land use right		**—**	(13)
Proceeds from disposal of property, plant and equipment		**1,630**	2,146
Proceeds from disposal of a subsidiary in prior year		**—**	1,285,617
Proceeds from disposal of assets held for sale		**—**	45,875
Proceeds from disposal of available-for-sale financial assets		**41,499**	140,397
Acquisition of interest in an associate	18(d)	**(13,677)**	(165,222)
Acquisitions of subsidiaries	37	**(164,565)**	—
Decrease (increase) in time deposits with maturity over three months		**574,977**	(333,904)
(Addition) release of restricted bank balances		**(6,165)**	7,831
Addition of available-for-sale financial assets		**—**	(7,280)
Repayment from (advance to) jointly controlled entities		**—**	12,048
Repayment from an investee company		**—**	17,258
Dividends received from associates		**461,153**	435,361
Addition of entrusted deposits		**(2,657,298)**	(3,977,068)
Addition of entrusted loans		**(184,957)**	—
Proceeds from redemption of entrusted deposits		**2,735,308**	2,774,041
Net cash from (used in) investing activities		**684,346**	(211,395)
Cash flow from financing activities			
Repayment of bank borrowings		**(380,835)**	(2,248,675)
Drawdown of bank borrowings		**399,263**	2,411,398
Contributions from non-controlling interests		**—**	21,181
Drawdown of loans from related companies		**61,652**	112,011
Dividend paid to non-controlling interests of subsidiaries		**(829)**	—
Repayment of amounts due to related companies		**—**	(119,678)
Net cash from financing activities		**79,251**	176,237
Net increase in cash and cash equivalents		**907,096**	320,547
Cash and cash equivalents at beginning of the year		**2,950,873**	2,523,326
Effect of foreign exchange rate changes		**6,932**	107,000
Cash and cash equivalents at end of the year		**3,864,901**	2,950,873

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

Tianjin Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in (i) utilities including supply of electricity, water and heat and thermal power; (ii) hotels; (iii) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipments and large scale pump units; and (iv) strategic and other investments including investments in associates which are principally engaged in the production, sale and distribution of winery products, elevators and escalators and provision of port services in Tianjin.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suites 7–13, 36/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Company has its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider Tsinlien Group Company Limited ("Tsinlien"), a company incorporated in Hong Kong, as the Company's ultimate holding company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and are 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 preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Application of amendments to HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs:

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Application of amendments to HKFRSs (Cont'd)

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the presumption set out in the amendments to HKAS 12 is rebutted because the criteria to rebut set out in the amendments to HKAS 12 were considered satisfied. Accordingly, the application of the amendments has had no material effect on the amounts reported in these consolidated financial statements and the entire carrying amount of the investment properties continue to be recovered through use.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)—Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Group has already commenced an assessment of the impact of HKFRS 9 but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)—Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)—Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers* will be withdrawn upon effective date of HKFRS 11. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that the application of HKFRS 10 will have no material financial impact on amounts reported in the consolidated financial statements and are in the process of assessing the impact of the application of the other four standards to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Significant accounting policies

(a) Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(i) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(i) Merger accounting for common control combination (Cont'd)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date unless they first came under common control at a later date.

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

(ii) Acquisition method of accounting for non-common control combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(ii) Acquisition method of accounting for non-common control combination (Cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iii) Subsidiaries (Cont'd)

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investments in subsidiaries are carried on the balance sheet of the Company at cost together with advances by the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(iv) Associates

Associates are all entities over which the Group has significant influence and that is neither a subsidiary nor an interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which include any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iv) Associates (Cont'd)

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

The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

(v) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, (which include any long-term interest that, in substance, form part of the Group's net investment in jointly controlled entities) the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

(vi) Non-controlling interests

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(vii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(b) Segment reporting

It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker has been identified as the executive directors that makes strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. The functional currency of the Company and the Group's subsidiaries in the People's Republic of China (the "PRC") is Renminbi.

The directors consider that presentation of consolidated financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Translation differences on non-monetary financial assets held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets is included in equity.

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is disposed of that resulted in loss of control, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(d) Property, plant and equipment

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

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

No depreciation is provided for construction in progress until construction is completed and ready for intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

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

(e) Land use rights

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated balance sheet and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

(g) Intangible assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

(h) Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(h) Impairment losses on tangible and intangible assets (Cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(i) Financial assets

The Group's financial assets fall into the following three categories:

(i) Financial assets at fair value through profit or loss;

(ii) Loans and receivables; and

(iii) Available-for-sale financial assets.

Regular purchases and sales of financial assets are recognized on trade date when the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Assets in this category are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated income statement in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with expected or actual maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Loans and receivable are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and receivables (including trade and other receivables, notes receivables, amounts due from jointly controlled entities, amount due from ultimate holding company, advances to subsidiaries, amounts due from related companies, entrusted deposits, restricted bank balance, time deposits with maturity over three months and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or a financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income or expenses is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. They are measured at fair value at balance sheet date. Gains and losses arising from changes in the fair value are recognized in equity.

Changes in the carrying amount of available-for-sale equity securities relating to dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of available-for-sale revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale revaluation reserve is reclassified to consolidated income statement (see the accounting policy in respect of impairment loss on financial assets below).

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as gains and loss from available-for-sale financial assets.

Dividends on available-for-sale financial assets are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises materials, direct labour and an appropriate portion of production overheads calculated on a weighted average basis. Net realizable value is determined on the basis of anticipated sales proceed less estimated cost to completion and selling expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(k) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in available-for-sale revaluation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(m) Share capital

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

(n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Trade payables, other payables, notes payables and amounts due to subsidiaries/related companies

These amounts are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The Group and the Company derecognize financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(p) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(p) Current and deferred income tax (Cont'd)

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

(q) Employee benefits

(i) Retirement scheme obligations

Employees of the Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the schemes. In addition, the Group also contributes to a mandatory provident fund scheme for all its Hong Kong employees. Both schemes are defined contribution plans. All these contributions are based on a certain percentage of the staff's salary and are charged to the consolidated income statement as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(q) Employee benefits (Cont'd)

(ii) Share-based compensation

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as considerations for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount expensed is recognized in full when vested immediately on grant date or over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest on the non-marketing vesting condition. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity over the vesting period.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, business tax, returns and discounts. Revenue and other income is recognized as follows:

(i) Sales of goods are recognized when goods are delivered to customers.

(ii) Sales of electricity, water, heat and thermal power are recognized based on meter readings of actual utilization.

(iii) Government supplemental income is recognized on accrual basis in accordance with the amounts agreed with the relevant government authority.

(iv) Rental income are recognized when services are rendered.

(v) Interest income is accrued on a time-proportion basis using the effective interest method.

(vi) Dividend income is recognized when the right to receive payment is established.

(vii) Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognized upon provision of services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(s) Machine construction contracts

Where the outcome of a machine construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a machine construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheets, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheets under trade receivables.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(u) Operating lease

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

(v) Dividend distribution

Dividend distribution to the Company's owners is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's directors/shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

(w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

(x) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as a deduction from the carrying amount of the relevant asset in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by actively managing debt level and cash flow in order to maintain a strong balance sheet and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Group adheres to a policy of financial prudence and did not use any derivative financial instruments or structured financial products during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk

(i) Foreign exchange risk

The actual foreign exchange risk faced by the Group is primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, other receivables and payables and borrowings made by the Group which are denominated in currencies (mainly Hong Kong dollars) other than the functional currency of the relevant group entities (collectively "Non-Functional Currency Items").

Tianduan (as defined in Note 44) had foreign currency sales during the year, which has exposure to foreign exchange risks. Other than that, the principal subsidiaries of the Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risks during the year.

At 31 December 2012, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2011: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by approximately HK$41,982,000 (2011: HK$44,093,000) as a result of the translation of the Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed and unlisted shares and unlisted funds are classified on the consolidated balance sheet as available-for-sale financial assets and financial assets at fair value through profit or loss specified in Notes 21 and 27 respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% higher/lower, the Group's profit for the year and other comprehensive income would increase/decrease by HK$32,908,000 (2011: HK$22,680,000) and HK$19,361,000 (2011: HK$20,103,000) respectively.

(iii) Interest rate risk

Other than the entrusted loans, entrusted deposits and bank balances and deposits specified in Notes 26, 28 and 29, respectively (the "Interest Bearing Assets"), the Group has no other significant Interest-Bearing Assets.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances and deposits.

The Group's entrusted deposits and entrusted loans carry fixed contractual rates and therefore expose the Group to fair value interest rate risk. Management believes that these fixed contractual rates instruments provide the Group with a steady income stream and are consistent with the Group's treasury management policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

The Group's interest rate risk is arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 33. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mixed portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include borrowings of HK$2,209,283,000 at variable rates and HK$350,131,000 at fixed rates (2011: HK$2,049,151,000 at variable rates and HK$300,863,000 at fixed rates).

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower for HK dollar-denominated borrowings and with all other variables held constant, the Group's profit for the year would decrease/ increase by HK$8,323,000 (2011: HK$8,298,000); if interest rates had been 50 basis points (2011: 50 basis points) higher/lower for Renminbi-denominated borrowings and with all other variable held constant, the Group's profit for the year would decrease/ increase by HK$801,000 (2011: HK$229,000).

If interest rates had been 25 basis points (2011: 25 basis points) higher/lower for HK dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year ended 31 December 2012 would increase/decrease by HK$1,659,000 (2011: HK$1,631,000); if interest rates had been 25 basis points (2011: 25 basis points) higher/lower for Renminbi-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK$6,768,000 (2011: HK$4,207,000).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(b) Credit and counterparty risk

Credit risk mainly arises from deposits maintained with banks and other financial institutions, entrusted deposits placed in financial institutions, as well as credit exposures to jointly controlled entities, ultimate holding company, related companies, other receivables (including entrusted loans) and customers (including outstanding trade receivables balance). The trade receivables of the newly acquired subsidiaries during the year, Tianduan and Tianfa Equipment (as defined in Note 44), also exposed the Group to credit and counterparty risk. Overall, the carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk as at 31 December 2012.

A significant portion of the Group's bank deposits, entrusted loans and entrusted deposits are placed with or arranged through state-owned banks/entities and other financial institutions in the PRC. The Group had a significant concentration of credit risk at 31 December 2012 because it had placed entrusted deposits of approximately HK$1,579 million (2011: approximately HK$1,639 million) with two (2011: two) state-owned financial institutions based in Tianjin, PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(b) Credit and counterparty risk (Cont'd)

The directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the counter-parties and the balances are considered to be fully recoverable.

The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. According to the Group's historical experience, the irrecoverable trade and other receivables do not exceed the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated financial statements.

For the newly acquired subsidiaries, Tianduan and Tianfa Equipment, which are engaged in the electrical and mechanical business, the production of the heavy machinery requires long production cycle. These two subsidiaries have policies in place to ensure the production process is consistent with the contracted schedule. The provisions of services are made to customers with appropriate credit history and these two subsidiaries perform periodic credit evaluations of their customers. The aggregate amount of trade receivables that are subjected to credit risk is HK$315,868,000. The directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated financial statements.

As at 31 December 2012, over 74% (2011: 79%) of the Group's financial assets were bank deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions. Apart from that, a receivable of HK$123,305,000 (2011: HK$123,305,000) was due from Tianjin Eastern Outer Ring Road Co., Ltd. as the consideration receivable for disposal of a subsidiary in previous years. For trade receivables of the utilities business, around 23% (2011: around half) of which were supplemental income receivable from the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") with settlements throughout the years. The residential, commercial and industrial customers in utilities segment demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record. For trade receivables of the newly acquired electrical and mechanical business, around 22% (2011: nil) of which were receivable from a customer engaged in the water utilities business. In view that the management of this electrical and mechanical business has established relationships with a wide base of customers, the directors consider that the concentration risk is not significant.

(c) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash and having funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

As at 31 December 2012, the Group had bank and cash balance of approximately HK$4,222 million and bank borrowings of approximately HK$2,559 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Group's financial liabilities that will be settled into relevant time bands based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which included principal and interest. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2012				
The Group				
Bank borrowings	**617,117**	**2,012,998**	**—**	**2,630,115**
Amounts due to related companies	**491,822**	**—**	**—**	**491,822**
Trade payables, notes payables and other payables	**2,254,622**	**—**	**—**	**2,254,622**
	3,363,561	**2,012,998**	**—**	**5,376,559**
The Company				
Bank borrowings	**33,890**	**2,012,998**	**—**	**2,046,888**
Amounts due to subsidiaries	**—**	**2,201,026**	**—**	**2,201,026**
	33,890	**4,214,024**	**—**	**4,247,914**
At 31 December 2011				
The Group				
Bank borrowings	414,222	34,000	2,019,562	2,467,784
Amounts due to related companies	292,325	—	—	292,325
Trade payables, notes payables and other payables	542,914	—	—	542,914
	1,249,461	34,000	2,019,562	3,303,023
The Company				
Bank borrowings	34,000	34,000	2,019,562	2,087,562
Amounts due to subsidiaries	—	1,758,768	—	1,758,768
	34,000	1,792,768	2,019,562	3,846,330

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to the owners of the Company as shown in the consolidated balance sheet.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. Net gearing ratio is calculated as net debt divided by equity attributable to the owners of the Company. Net debt is calculated as total bank borrowings (including current and non-current bank borrowings as shown in the consolidated balance sheet) less total cash and bank deposits. During 2012, the Group's policy, which was unchanged from 2011, was to maintain a net gearing ratio of not more than 40%.

As of the end of 2012 and 2011, the Group had a net cash position.

	2012 **HK$'000**	2011 HK$'000
Total cash and cash deposits	**4,222,110**	3,763,130
Less: total bank borrowings	**2,559,414**	2,350,014
Net cash	**1,662,696**	1,413,116
Shareholders' funds	**10,133,676**	9,589,069
Net gearing position	**Net cash**	Net cash

The category of financial instruments of the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,101,248**	6,229,819
Available-for-sale financial assets	**233,405**	245,586
Financial assets at fair value through profit or loss	**438,167**	338,708
	7,772,820	6,814,113
Financial liabilities		
Amortized cost	**5,305,858**	3,185,253

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value estimation

The determination of the fair value of the financial instruments of the Group are as follows:

(i) The fair value of listed investments including available-for-sale financial assets and financial assets at fair value through profit or loss is based on quoted bid prices in an active market at the balance sheet date.

(ii) The fair value of unlisted investments including financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to the net assets values of the underlying investments quoted by the relevant investment trust or securities companies or the estimated future cash flows generated from the underlying investments discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the assets.

(iii) The fair values of long-term bank borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments.

(iv) The fair values of restricted bank balance, time deposits with maturity over three months, cash and cash equivalents, trade receivables, notes receivables, other receivables, entrusted deposits, trade payables, notes payables, other payables, current bank borrowings and balances with jointly controlled entities, ultimate holding company and related companies are considered to be approximate their carrying amount due to the short-term maturities of these assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value estimation (Cont'd)

The following table represents the Group's financial assets measured at fair value:

	Valuation Technique			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2012				
Available-for-sale financial assets	**218,323**	**—**	**15,082**	**233,405**
Financial assets at fair value through profit or loss	**48,383**	**389,784**	**—**	**438,167**
At 31 December 2011				
Available-for-sale financial assets	193,513	—	52,073	245,586
Financial assets at fair value through profit or loss	61,593	277,115	—	338,708

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value estimation (Cont'd)

The following table presents the changes in level 3 instruments for the years ended 31 December 2012 and 2011:

	2012	2011
	HK$'000	HK$'000
Available-for-sale financial assets		
At 1 January	**52,073**	181,941
Additions	**—**	7,280
Sales proceed received	**(41,499)**	(140,397)
Gain on disposal recognized in the consolidated income statement	**4,644**	30,872
Reclassification adjustment on disposal of available-for-sale financial assets	**—**	(34,425)
Exchange difference	**(136)**	6,802
At 31 December	**15,082**	52,073
Total gain recognized in other comprehensive income	**—**	—

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are discussed below.

(a) Property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategical assets that have been abandoned or disposed of.

In particular, in view of the operating loss incurred by a utility segment subsidiary, the Group has prepared a discounted cash flow projection for that entity and assessed whether the projection could support the carrying value of property, plant and equipment of that subsidiary. The review was based primarily on a discounted cash flow projection which involved factors and assumptions such as a discount rate of 12% and growth rate of 6% which are inherently subjective in nature. On the basis of that review, an impairment loss of approximately HK$30 million was recognized against the Group's property, plant and equipment. Further details are set out in Note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(b) Fair value of investment properties

Investment properties are carried in the consolidated balance sheet as at 31 December 2012 at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions, favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated income statement and the carrying amount of these properties included in the consolidated balance sheet.

(c) Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash generating unit ("CGU") to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

(d) Interest in associates

The Group's interest in associates is carried at its share of net assets of these associates together with premium on their acquisition less impairment loss.

(i) As at 31 December 2012, the carrying value of the Group's interest in a major listed associate, including goodwill of HK$1,121 million, Tianjin Port (as defined in Note 45), exceeded the market value of the Group's holding therein by HK$1,897 million (2011: HK$1,901 million). Management has assessed the value in use of the Group's interest based on discounted cash flows and the assumption of a terminal value. This assessment involves significant assumptions about future events and market conditions which may not realize as projected if and when the Group is to dispose of this interest.

(ii) Furthermore, as disclosed in Note 18(a), the Group has equity accounted for its share of loss of Dynasty (as defined in Note 45) based on the best estimates made by the directors of the Company. In addition, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. Should actual results, net assets or fair value of Dynasty be different from the estimates made by the directors of the Company, adjustments may be necessary which could impact the results and financial position of the Group when such adjustments, if any, are known.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(e) Recoverability of deferred tax assets

As at 31 December 2012, deferred tax assets of approximately HK$106,127,000 (2011: approximately HK$100,051,000) in relation to tax losses and other deductible temporary differences were recognized in the consolidated balance sheet after offsetting certain deferred taxation liabilities as set out in Note 34. The recoverability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the expectation for future profit streams changes, a reversal of the deferred tax assets may arise, which would be charged to profit or loss for the period in which such a reversal takes place.

(f) Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value.

(g) Machine construction contracts

The Group recognizes contract revenue and profit of machine construction contracts according to the management's estimation of the final outcome of the projects as well as the percentage of completion of machine construction works. Notwithstanding that management closely reviews and revises the estimates of both contract revenue and costs for the machine construction contracts according to the contract progresses, the actual outcome of the contracts in terms of their total revenue and costs may be higher or lower than the estimates and this will affect the amount of revenue and profit recognized in subsequent periods.

(h) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the presumption set out in the amendments to HKAS 12 is rebutted because the criteria to rebut set out in the amendments to HKAS 12 were considered satisfied. As at 31 December 2012, the Group has recognized deferred taxes liabilities on changes in fair value of investment properties of HK$79,746,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. 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 chief operating decision-makers 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 TEDA, the PRC.

(b) Hotels

This segment derives revenue from operation of hotels in Hong Kong and Tianjin.

(c) Winery

The result of this segment is contributed by a listed associate of the Group, Dynasty (as defined in Note 45), which produces and sells winery products.

(d) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port (as defined in Note 45), which provides port services in Tianjin.

(e) Elevators and escalators

The result of this segment is contributed by an associate of the Group, Otis China (as defined in Note 45), which manufactures and sells elevators and escalators.

(f) Electrical and mechanical

This segment is contributed by the newly acquired subsidiaries, Tianduan and Tianfa Equipment, which manufacture and sell presses, mechanical and hydroelectric equipments and large scale pump units. As the acquisitions were completed on 31 December 2012, their financial results as subsidiaries are not presented in this year's segment results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

For the year ended 31 December 2012

	Utilities (note(i)) HK$'000	Hotels HK$'000	Winery (note(ii)) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,772,471	117,923	—	—	—	3,890,394
Operating profit before interest	54,524	3,541	—	—	—	58,065
Interest income	42,809	21	—	—	—	42,830
Finance costs	(28,674)	—	—	—	—	(28,674)
Share of (loss) profit of associates	—	—	(111,267)	148,217	417,860	454,810
Profit before tax	68,659	3,562	(111,267)	148,217	417,860	527,031
Tax expense	(45,550)	(2,023)	—	—	—	(47,573)
Segment results — profit (loss) for the year	23,109	1,539	(111,267)	148,217	417,860	479,458
Non-controlling interests	1,830	6,739	—	—	(72,123)	(63,554)
Profit (loss) attributable to owners of the Company	24,939	8,278	(111,267)	148,217	345,737	415,904
Segment results — profit (loss) for the year includes:						
Depreciation and amortization	64,698	28,803	—	—	—	93,501

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For the year ended 31 December 2012

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2011

	Utilities (note(i)) HK$'000	Hotels HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,402,434	114,598	—	—	—	3,517,032
Operating profit before interest	69,011	2,905	—	—	—	71,916
Interest income	20,236	22	—	—	—	20,258
Finance costs	(11,682)	—	—	—	—	(11,682)
Share of profit of associates	—	—	1,907	149,785	437,618	589,310
Profit before tax	77,565	2,927	1,907	149,785	437,618	669,802
Tax expense	(5,134)	(32,442)	—	—	—	(37,576)
Segment results — profit (loss) for the year	72,431	(29,515)	1,907	149,785	437,618	632,226
Non-controlling interests	(1,459)	6,298	—	—	(75,533)	(70,694)
Profit (loss) attributable to owners of the Company	70,972	(23,217)	1,907	149,785	362,085	561,532
Segment results — profit (loss) for the year includes:						
Depreciation and amortization	47,789	29,073	—	—	—	76,862

	2012 HK$'000	2011 HK$'000
Reconciliation of profit for the year		
Total reportable segments	**479,458**	632,226
Share option expenses	**(18,210)**	(17,835)
Corporate and others (note (iii))	**25,472**	(106,868)
Profit for the year	**486,720**	507,523

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

notes:

(i) Revenue from supply of electricity, water, and heat and thermal power amounted to approximately HK$2,292,900,000, HK$355,700,000 and HK$1,123,900,000 respectively (2011: approximately HK$2,087,200,000, HK$316,800,000 and HK$998,400,000 respectively).

Revenue from utilities also included government supplemental income of approximately HK$321,300,000 (2011: approximately HK$304,400,000).

(ii) As detailed in Note 18(a), the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012 as financial information of Dynasty for the year ended 31 December 2012 is not available to the Group at the date these consolidated financial statements were approved by the Board of Directors (the "Board"). As a result, the Group recognized an aggregate loss of HK$111,267,000, which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012.

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

Segment assets and liabilities

	Utilities	Hotels	Winery	Port services	Elevators and escalators	Electrical and mechanical	Total reportable segments	Corporate and others (note (ii))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2012									
Segment assets	**3,496,638**	**996,856**	**786,780**	**3,319,892**	**824,117**	**3,102,945**	**12,527,228**	**5,060,635**	**17,587,863**
Segment liabilities	**2,242,223**	**88,902**	**—**	**—**	**—**	**1,611,770**	**3,942,895**	**2,739,180**	**6,682,075**
As at 31 December 2011									
Segment assets	3,158,568	1,031,225	901,151	3,220,005	805,788	312,477	9,429,214	5,002,519	14,431,733
						(note (i))			
Segment liabilities	1,926,517	92,047	—	—	—	—	2,018,564	2,231,164	4,249,728

notes:

(i) This represents the Group's share of net assets of Tianduan and Tianfa Equipment as associates.

(ii) The balances represent assets and liabilities relating to corporate and other non-core businesses not categorized as reportable segments, which 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, interest in certain associates and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION (Cont'd)

Other segment information

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

	2012	2011
	HK$'000	HK$'000
PRC mainland	**3,773,312**	3,403,296
Hong Kong	**117,082**	113,736
	3,890,394	3,517,032

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

	2012	2011
	HK$'000	HK$'000
PRC mainland	**7,793,513**	6,854,087
Hong Kong	**539,950**	557,462
	8,333,463	7,411,549

6. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Interest income	**162,997**	110,233
Rental income under operating leases net of negligible outgoings	**15,679**	6,143
Sundries	**22,053**	16,509
	200,729	132,885

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

7. OTHER GAINS, NET

	2012 **HK$'000**	2011 HK$'000
Gain on fair value change of investment properties	**25,228**	—
Gain on disposal of assets held for sale	**—**	6,689
Gain on disposal of interest in associates (Note 37(b))	**58,682**	—
Net exchange gain	**5,063**	34,360
Net gain on disposal of available-for-sale financial asset	**4,644**	30,872
Net (loss) gain on disposal of property, plant and equipment	**(3,159)**	109
Net gain (loss) on financial assets held for trading		
— listed	**5,376**	(24,425)
— unlisted	**20,016**	9,954
Others	**—**	(2,881)
	115,850	54,678

8. PROFIT FOR THE YEAR

	2012 **HK$'000**	2011 HK$'000
Profit for the year is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments) (Note 9)	**403,226**	337,669
Purchase of electricity, water and steam for sale	**3,069,813**	2,845,276
Depreciation		
— charged to cost of sales	**58,062**	42,465
— charged to administrative expenses	**17,280**	9,313
— charged to other operating expenses	**22,593**	22,983
Amortization of land use rights	**6,992**	6,858
(Reversal of) allowance for impairment of trade receivables	**(2,866)**	14,793
Impairment loss on property, plant and equipment	**30,000**	—
Operating lease expense on		
— plants, pipelines and networks	**150,801**	147,137
— land and buildings	**10,571**	9,172
Auditor's remuneration	**4,802**	6,531

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. EMPLOYEES' BENEFITS EXPENSE

	2012 HK$'000	2011 HK$'000
Wages, salaries, bonus and social security costs	**385,016**	319,834
Share option expenses	**18,210**	17,835
	403,226	337,669

(a) Emoluments of directors, chief executive and senior management

The remuneration of each director (including the chief executive) for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salaries and other benefits[(i)] HK$'000	Share-based payments HK$'000	Total HK$'000
Yu Rumin	—	650	801	1,451
Wu Xuemin	—	4,063	3,203	7,266
Dai Yan	—	3,834	3,003	6,837
Bai Zhisheng	—	—	300	300
Zhang Wenli	—	—	300	300
Wang Zhiyong	—	3,336	2,803	6,139
Wang Weidong[(ii)]	—	1,383	2,803	4,186
Cheung Wing Yui, Edward	318	90	100	508
Chan Ching Har, Eliza	318	90	100	508
Cheng Hon Kwan	382	90	100	572
Mak Kwai Wing, Alexander	382	90	100	572
Ng Yi Kum, Estella	382	90	100	572
Wong Shiu Hoi, Peter[(iii)]	11	—	—	11
Loke Yu[(iii)]	11	—	—	11
Gong Jing[(iv)]	—	—	—	—
	1,804	13,716	13,713	29,233

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. EMPLOYEES' BENEFITS EXPENSE

(a) Emoluments of directors, chief executive and senior management (Cont'd)

The remuneration of each director (including the chief executive) for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salaries and other benefits[i] HK$'000	Share-based payments HK$'000	Total HK$'000
Yu Rumin	—	600	882	1,482
Wu Xuemin	—	2,966	3,530	6,496
Dai Yan	—	3,858	3,309	7,167
Bai Zhisheng	—	—	331	331
Zhang Wenli	—	—	331	331
Wang Zhiyong	—	3,225	3,089	6,314
Cheung Wing Yui, Edward	318	90	110	518
Chan Ching Har, Eliza	318	90	110	518
Cheng Hon Kwan	382	90	110	582
Mak Kwai Wing, Alexander	382	90	110	582
Ng Yi Kum, Estella	382	90	110	582
Gong Jing[iv]	—	—	331	331
Wang Jiandong[v]	—	—	331	331
Sun Zengyin[v]	—	—	331	331
	1,782	11,099	13,015	25,896

(i) Other benefits include bonus, allowance, insurance premium, club membership and leave pay.

(ii) Appointed on 1 June 2012.

(iii) Appointed on 21 December 2012.

(iv) Retired on 31 May 2012.

(v) Resigned on 31 December 2011.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. EMPLOYEES' BENEFITS EXPENSE

(b) Five highest paid individuals

The emoluments of the five individuals with the highest emoluments for the year ended 31 December 2012 and 2011 were as follows:

	2012 **HK$'000**	2011 HK$'000
Fees	**—**	—
Salaries, bonus and other benefits	**15,857**	14,641
Share-based payments	**13,982**	12,918
	29,839	27,559

The emoluments of the five highest paid individuals fell within the following bands:

	2012	2011
Emolument bands (HK$)		
2,000,001–2,500,000	**—**	1
2,500,001–3,000,000	**—**	—
3,000,001–3,500,000	**—**	—
3,500,001–4,000,000	**—**	—
4,000,001–4,500,000	**1**	—
4,500,001–5,000,000	**—**	—
5,000,001–5,500,000	**1**	1
5,500,001–6,000,000	**—**	—
6,000,001–6,500,000	**1**	2
6,500,001–7,000,000	**1**	—
7,000,001–7,500,000	**1**	1
	5	5

Of the five individuals with the highest emoluments in the Group, four (2011: three) are directors (including the chief executive) and their emoluments are shown in Note 9(a).

10. FINANCE COSTS

	2012 **HK$'000**	2011 HK$'000
Interest expenses on bank borrowings repayable within five years	**63,233**	33,704

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current taxation		
PRC Enterprise Income Tax ("PRC EIT")	**50,044**	77,220
Deferred taxation (Note 34)	**8,331**	32,442
	58,375	109,662

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2011: Nil).

The Group's PRC subsidiaries are subject to PRC EIT at a rate of 25% except Tianduan and Tianfa Equipment which are subject to preferential EIT at a rate of 15% for 3 years starting from October 2011 as they are qualified as high technology enterprises.

The deferred tax charge for the year of 2011 was mainly related to a reversal of a deferred tax asset relating to tax losses that were recognized in prior years. As a result of revised operating budgets, certain tax losses were no longer expected to be utilized in the foreseeable future and accordingly, the related deferred tax asset was reversed during that year.

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group's principal subsidiaries operate as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	**545,095**	617,185
Less: share of results of associates and jointly controlled entities	**(459,036)**	(602,363)
	86,059	14,822
Calculated at applicable tax rates	**24,389**	2,704
Income not subject to taxation	**(25,105)**	(18,177)
Expenses not deductible for taxation purposes	**54,309**	89,746
Tax losses not recognized	**4,782**	4,379
Release of tax losses recognized as deferred tax asset in prior years	**—**	31,010
Tax expense	**58,375**	109,662

The weighted average applicable tax rate is 28.34% (2011: 18.24%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of loss of approximately HK$16,584,000 (2011: profit of approximately HK$234,944,000).

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company and the number of shares in issue as follows:

	2012	2011
	HK$'000	HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**413,094**	437,195
Number of shares	**Thousand**	Thousand
Number of ordinary shares for the purpose of basic earnings per share	**1,067,470**	1,067,470
Effect of dilutive potential ordinary shares:		
Options	**1,079**	682
Number of ordinary shares taking into account of share options for the purpose of diluted earnings per share	**1,068,549**	1,068,152

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold land	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost								
At 1 January 2012	1,122,353	326,622	1,498,994	82,811	21,059	209,800	1,784	3,263,423
Exchange differences	852	—	177	30	14	119	—	1,192
Additions	82,223	—	3,634	10,138	7,972	201,222	—	305,189
Acquisitions of subsidiaries (Note 37)	226,972	—	178,620	6,469	4,199	12,598	—	428,858
Transfers	53,604	—	142,534	—	—	(196,138)	—	—
Disposals	(284)	—	(84,824)	(1,638)	(4,211)	—	—	(90,957)
At 31 December 2012	1,485,720	326,622	1,739,135	97,810	29,033	227,601	1,784	3,907,705
Accumulated depreciation and impairment								
At 1 January 2012	384,970	62,628	1,043,657	55,930	3,987	25,535	1,163	1,577,870
Exchange differences	84	—	143	14	4	—	—	245
Charge for the year	32,637	297	52,187	8,217	4,597	—	—	97,935
Impairment loss recognized in profit or loss (note (c))	—	—	30,000	—	—	—	—	30,000
Disposals	(242)	—	(81,419)	(1,318)	(3,189)	—	—	(86,168)
At 31 December 2012	417,449	62,925	1,044,568	62,843	5,399	25,535	1,163	1,619,882
Net book value								
At 31 December 2012	1,068,271	263,697	694,567	34,967	23,634	202,066	621	2,287,823

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group (Cont'd)

	Buildings HK$'000	Leasehold land HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost								
At 1 January 2011	588,742	326,622	1,329,462	79,351	15,876	147,759	1,492	2,489,304
Exchange differences	24,190	—	57,855	8,451	1,273	8,541	79	100,389
Additions	131,197	—	6,066	3,088	7,815	344,064	213	492,443
Transfers	185,229	—	104,873	462	—	(290,564)	—	—
Disposals	(413)	—	(953)	(9,483)	(4,295)	—	—	(15,144)
Reclassified from assets held for sale	193,408	—	1,691	942	390	—	—	196,431
At 31 December 2011	1,122,353	326,622	1,498,994	82,811	21,059	209,800	1,784	3,263,423
Accumulated depreciation and impairment								
At 1 January 2011	274,938	62,330	962,365	50,675	2,304	24,335	884	1,377,831
Exchange differences	12,608	—	41,669	7,547	557	1,200	49	63,630
Charge for the year	24,693	298	39,797	5,606	4,137	—	230	74,761
Disposals	(253)	—	(886)	(8,732)	(3,236)	—	—	(13,107)
Reclassified from assets held for sale	72,984	—	712	834	225	—	—	74,755
At 31 December 2011	384,970	62,628	1,043,657	55,930	3,987	25,535	1,163	1,577,870
Net book value								
At 31 December 2011	737,383	263,994	455,337	26,881	17,072	184,265	621	1,685,553

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company

	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2012	**5,096**	**4,406**	**9,502**
Additions	**5**	**—**	**5**
At 31 December 2012	**5,101**	**4,406**	**9,507**
Accumulated depreciation			
At 1 January 2012	**4,255**	**2,562**	**6,817**
Exchange differences	**—**	**1**	**1**
Charge for the year	**84**	**532**	**616**
At 31 December 2012	**4,339**	**3,095**	**7,434**
Net book value			
At 31 December 2012	**762**	**1,311**	**2,073**
Cost			
At 1 January 2011	4,851	6,076	10,927
Exchange differences	239	255	494
Additions	6	655	661
Disposals	—	(2,580)	(2,580)
At 31 December 2011	5,096	4,406	9,502
Accumulated depreciation			
At 1 January 2011	3,961	3,680	7,641
Exchange differences	198	151	349
Charge for the year	96	653	749
Disposals	—	(1,922)	(1,922)
At 31 December 2011	4,255	2,562	6,817
Net book value			
At 31 December 2011	841	1,844	2,685

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

notes:

(a) The leasehold land of the Group is situated in Hong Kong with long lease.

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

Buildings	10–40 years
Leasehold land	Over the lease term
Plant and machinery	3–35 years
Leasehold improvement, furniture and equipment	3–10 years
Motor vehicles	5–12 years
Others	5 years

(c) During the year, in view of the operating loss incurred by a utility segment subsidiary, the Group has prepared a discounted cash flow projection for that entity and assessed whether the projection could support the carrying value of property, plant and equipment in that subsidiary. The review was based primarily on a discounted cash flow projection which involved factors and assumptions such as a discount rate of 12% and growth rate of 6% which are inherently subjective in nature. As a result of this assessment, management has resolved to recognize an impairment loss of approximately HK$30 million against these assets.

15. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments held on leases of between 10 to 50 years in the PRC.

16. INVESTMENT PROPERTIES

	The Group HK$'000	The Company HK$'000
Fair value		
At 1 January 2011	—	—
Reclassified from assets held for sale	134,335	134,335
At 31 December 2011	**134,335**	**134,335**
Additions	**36,424**	**—**
Increase in fair value recognised in profit or loss	**25,228**	**—**
At 31 December 2012	**195,987**	**134,335**

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES (Cont'd)

notes:

(a) The investment properties can be categorized as follows:

	The Group HK$'000	The Company HK$'000
Medium-term land use right in the PRC	171,622	109,970
Long-term land use right in the PRC	24,365	24,365
	195,987	134,335

(b) All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(c) The fair value as at 31 December 2012 has been arrived at based on a valuation carried out by an independent valuer. The valuation was determined either on the basis of capitalization of net rental income derived from existing tenancies or by reference to comparable market transactions. The fair values of the investment properties approximated to the carrying values at the balance sheet date.

17. INTEREST IN SUBSIDIARIES

	notes	2012 HK$'000	2011 HK$'000
Unlisted investments, at cost		4,210,932	4,653,142
Less: Impairment		–	(830,111)
		4,210,932	3,823,031
Advances to subsidiaries	(a)	5,620,853	5,697,533
Less: Impairment	(a)	(730,146)	(700,146)
		4,890,707	4,997,387
		9,101,639	8,820,418

notes:

(a) The advances to subsidiaries are unsecured, interest free and have no fixed repayment term. The impairment allowance is related to subsidiaries operating in the utilities segment.

(b) Details of principal subsidiaries which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2012 are set out in Note 44.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

18. INTEREST IN ASSOCIATES

	notes	2012 HK$'000	2011 HK$'000
The Group's interest in associates			
— Listed shares in Hong Kong			
— Dynasty	(a)	**786,780**	901,151
— Tianjin Port		**3,319,892**	3,220,005
— Unlisted shares in the PRC			
— Otis China		**824,117**	805,788
— Tianduan	(b)	**—**	169,158
— Tianfa Equipment	(c)	**—**	143,319
— Milan Winery	(d)	**13,677**	—
	(e)	**4,944,466**	5,239,421
Market value of listed shares			
— Dynasty		**786,780**	998,722
— Tianjin Port		**1,422,498**	1,319,044

notes:

(a) As set out in the announcement published by Dynasty on 26 March 2013, an internal investigation is being conducted on certain transactions of Dynasty. As the investigation is not yet completed on the date these consolidated financial statements were approved by the Board, financial information of Dynasty for the year ended 31 December 2012 is not available to the Group. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, in view of the on-going investigation of Dynasty, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of HK$111,267,000 which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012.

(b) As at 31 December 2011, the Group through its non-wholly owned subsidiary, Tianjin Tai Kang (as defined in Note 44) held 21.83% equity interest in Tianduan as an associate. On 1 November 2012, Tianjin Tai Kang acquired further 56.62% equity interest in Tianduan (details are set out in Note 37). Upon completion of the acquisition on 31 December 2012, Tianduan has become a subsidiary of the Group.

(c) As at 31 December 2011, the Group through Tianjin Tai Kang held 34% equity interest in Tianfa Equipment as an associate. On 1 November 2012, Tianjin Tai Kang acquired further 66% equity interest in Tianfa Equipment (details are set out in Note 37). Upon completion of the acquisition on 31 December 2012, Tianfa Equipment has become a subsidiary of the Group.

(d) In September 2012, the Group acquired 25% equity interest in Milan Winery (as defined in Note 45) at a consideration of RMB11,092,000 (equivalent to approximately HK$13,677,000).

(e) Interest in associates as at 31 December 2012 included goodwill of HK$1,120,729,000 (2011: HK$1,137,888,000). Share of associates' taxation for the year ended 31 December 2012 of HK$182,130,000 (2011: HK$145,180,000) are included in the consolidated income statement as share of profits of associates.

(f) Details of principal associates which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2012 are set out in Note 45.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

18. INTEREST IN ASSOCIATES (Cont'd)

notes: (Cont'd)

(g) The financial information of the Group's associates is as follows:

Name	Assets HK$'000	Liabilities HK$'000	Non-controlling interests HK$'000	Revenues HK$'000	Profit (loss) attributable to shareholders of associates for the year HK$'000	% interest attributable to the Group
2012						
Dynasty*	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**44.70**
Tianjin Port	**37,240,746**	**15,579,968**	**11,189,020**	**17,934,680**	**705,794**	**21.00**
Otis China	**9,452,000**	**4,946,285**	**404,829**	**16,685,634**	**2,089,300**	**16.55**
Milan Winery	**107,998**	**69,185**	**—**	**—**	**—**	**25.00**
	46,800,744	**20,595,438**	**11,593,849**	**34,620,314**	**2,795,094**	
2011						
Dynasty	2,593,344	551,664	26,000	1,445,117	4,267	44.70
Tianjin Port	33,562,717	13,555,027	10,011,663	16,547,695	713,264	21.00
Otis China	10,696,177	6,215,700	471,505	16,521,028	2,188,088	16.55
Tianduan	1,936,864	1,237,654	—	958,937	72,428	18.06
Tianfa Equipment	927,626	517,327	—	618,527	33,831	28.13
	49,716,728	22,077,372	10,509,168	36,091,304	3,011,878	

* As detailed in Note 18(a), as financial information of Dynasty for the year ended 31 December 2012 is not available to the Group at the date these consolidated financial statements were approved by the Board, no information of the assets, liabilities, non-controlling interests, revenue and profit (loss) attributable to shareholders of Dynasty as of, and for the year ended 31 December 2012 is presented.

19. INTEREST IN JOINTLY CONTROLLED ENTITIES

The Group's attributable interest in its jointly controlled entities, all of which are unlisted, is as follows:

	Current assets HK$'000	Non-current assets HK$'000	Current liabilities HK$'000	Non-current liabilities HK$'000	Revenue HK$'000	Net profit (loss) attributable to the Group HK$'000
As at 31 December 2012	**137,475**	**100,311**	**263,952**	**—**	**250,684**	**501**
As at 31 December 2011	103,985	109,991	230,045	—	203,948	(1,088)

Details of the principal jointly controlled entities which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2012 are set out in Note 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

20. INTANGIBLE ASSETS

These represent patents acquired by the Group through the acquisitions of Tianduan and Tianfa Equipment at 31 December 2012 and they are considered by the management of the Group as having a useful life of 10 to 11 years.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	**2012 HK$'000**	2011 HK$'000
Equity securities			
Listed, at market value	(a)	**218,323**	193,513
Unlisted	(b)	**15,082**	52,073
		233,405	245,586
Disclosure			
Current assets		**—**	36,991
Non-current assets		**233,405**	208,595
		233,405	245,586
At 1 January		**245,586**	464,768
Exchange differences		**(136)**	6,802
Additions		**—**	7,280
Disposals		**(36,855)**	(143,950)
Change in fair value		**24,810**	(89,314)
At 31 December		**233,405**	245,586

notes:

(a) The listed securities represent the Group's 8.28% equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Growth Enterprise Market of the Stock Exchange.

As at 31 December 2012, the market value of the Group's equity interest in Binhai Investment was approximately HK$218,323,000 (2011: approximately HK$193,513,000) and the unrealized fair value gain of approximately HK$24,810,000 (2011: unrealized fair value loss of approximately HK$89,314,000) was recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

22. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**105,338**	1,643
Work in progress	**1,970**	78
Finished goods	**31,195**	518
Consumable stocks	**1,782**	939
	140,285	3,178

23. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES, ULTIMATE HOLDING COMPANY AND SUBSIDIARIES

The Group and the Company

The balances are unsecured, interest free, and have no fixed repayment term and are mainly denominated in Renminbi.

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	At 31 December 2012 HK$'000	At 31 December 2011 and 1 January 2012 HK$'000	**Maximum amount outstanding during the year HK$'000**
Amounts due from related companies	**22,792**	15,740	**29,121**
Amounts due to related companies	**(491,822)**	(292,325)	

The balances are unsecured, interest free, and have no fixed repayment term and denominated in Renminbi. Details of the relationship with related companies are set out in Note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

Amounts being acquired through the acquisition of Tianduan and Tianfa Equipment:

	2012 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognized profits less recognized losses incurred by Tianduan and Tianfa Equipment	**4,072,675**
Less: Progress billings	**(3,210,643)**
	862,032
Analyzed for reporting purposes as:	
Amounts due from contract customers included in current assets	**966,241**
Amounts due to contract customers included in current liabilities	**(104,209)**
	862,032

As at 31 December 2012, retentions of HK$99,045,000 held by customers for contract works were included in trade receivables.

As at 31 December 2012, advances of HK$100,800,000 received from customers for contracts entered but not yet commenced were included in other payables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

26. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
		2012	2011	**2012**	2011
	notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables					
Fully performing	(a)	**565,847**	494,352	**—**	—
Past due but not impaired	(b)	**253,301**	96,441	**—**	—
Impaired	(c)	**136,931**	139,808	**—**	—
Trade receivables — gross		**956,079**	730,601	**—**	—
Less: provision for impairment	(c)	**(136,931)**	(139,808)	**—**	—
Trade receivables — net		**819,148**	590,793	**—**	—
Notes receivables		**160,523**	3,206	**—**	—
	(d)	**979,671**	593,999	**—**	—
Other receivables, deposits and prepayments					
Consideration receivable for disposal of a subsidiary	(e)	**123,305**	123,305	**—**	—
Entrusted loans	(f)	**184,957**	—	**—**	—
Others		**242,253**	181,941	**12,612**	10,930
		550,515	305,246	**12,612**	10,930

notes:

(a) 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 to 180 days are granted to corporate customers of the Group's hotel business; and (ii) 90 to 180 days are granted to customers of Tianduan and Tianfa Equipment. No credit terms are granted to customers in the utilities segment. Receivable classified as fully performing are trade receivables with no history of default payment.

As at 31 December 2012, the supplemental income receivable from the TEDA Finance Bureau was approximately HK$190,415,000 (2011: approximately HK$257,281,000) as referred to in Note 5. Annual supplemental income receivable does not have credit terms and the amount is to be finalized by the TEDA Finance Bureau after the end of each financial year. Continuous settlements have been received by the Group in the past years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

26. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

notes: (Cont'd)

(b) Trade receivables that are past due but not impaired related to a wide range of customers, and management believes that no impairment provision is necessary as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The ageing analysis, based on invoice date, of these trade receivables is as follows:

	2012	2011
	HK$'000	HK$'000
Within 30 days	**48,487**	49,341
31 to 90 days	**10,788**	19,828
91 to 180 days	**19,737**	26,065
181 to 365 days	**68,765**	1,207
1 to 2 years	**105,524**	—
	253,301	96,441

(c) As at 31 December 2012, trade receivables of HK$136,931,000 (2011: HK$139,808,000) were impaired. The age and settlement track record of individual receivables were considered in the review for their impairment. The ageing of these receivables is as follows:

	2012	2011
	HK$'000	HK$'000
Within 30 days	**—**	—
31 to 90 days	**—**	4
91 to 180 days	**4,401**	—
Over 180 days	**132,530**	139,804
	136,931	139,808

Movements on the provision for impairment of trade receivables are as follows:

	2012	2011
	HK$'000	HK$'000
At 1 January	**139,808**	118,810
Exchange differences	**(11)**	6,205
Allowance made in the year	**14,674**	14,793
Reversal of impairment loss	**(17,540)**	—
At 31 December	**136,931**	139,808

The creation and release of provision for impaired receivables are included in other operating expenses in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements

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26. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

notes: (Cont'd)

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

	2012 **HK$'000**	2011 HK$'000
Within 30 days	**524,526**	411,525
31 to 90 days	**91,301**	20,082
91 to 180 days	**135,628**	26,082
181 to 365 days	**73,339**	136,310
1 to 2 years (note g)	**154,877**	—
	979,671	593,999

(e) The amount represents the consideration receivable from the disposal of a subsidiary in previous years and it is expected to be settled in the next twelve months.

(f) The amount represents entrusted loans to two government-related borrowers in the PRC through two PRC financial institutions. The interest rates range from 6% to 6.66% per annum and are repayable within one year.

(g) As at 31 December 2012, the amounts included retentions held by customers for contract works of HK$99,045,000.

(h) The carrying amounts of trade and notes receivables, other receivables and deposits approximate their fair value and are mainly denominated in Renminbi. The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivables mentioned above. Except for the government supplemental income receivable and a receivable arising from the electrical and mechanical business, the Group has no significant concentrations of credit risk.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 **HK$'000**	2011 HK$'000
Investment held for trading		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**43,024**	56,234
Unlisted funds in the PRC	**388,797**	277,115
Others	**987**	—
	438,167	338,708
Market values of listed shares	**48,383**	61,593

The balances are denominated in Renminbi except for the listed shares in Hong Kong which are denominated in Hong Kong dollars.

The fair value of all listed shares are based on their current bid prices in active markets. The fair value of unlisted funds are based on their net asset values quoted by the relevant investment trust or securities companies.

Notes to the Consolidated Financial Statements

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28. ENTRUSTED DEPOSITS

As at 31 December 2012, the entrusted deposits were placed with two financial institutions based in Tianjin, PRC with maturity between 2 to 12 months after the end of the reporting period (2011: 2 to 16 months). The deposits carry fixed rates of return ranging from 5.6% to 10.0% per annum (2011: 6.1% to 8.4%).

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

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**2,678,543**	2,107,695	**12,230**	27,759
Time deposits in bank with maturity less than three months	**1,186,141**	834,572	**616,040**	589,699
Balances with other financial institutions	**217**	8,606	**1**	1
Cash and cash equivalents	**3,864,901**	2,950,873	**628,271**	617,459
Time deposits in bank with maturity over three months	**254,398**	809,174	**—**	—
Restricted bank balance (note)	**102,811**	3,083	**—**	—
	4,222,110	3,763,130	**628,271**	617,459

note: The restricted bank balance is pledged against the notes payables and bank borrowings.

The carrying amounts of cash and cash equivalents and time deposits with maturity over three months approximate their fair value and are mainly denominated in Renminbi.

The effective interest rates on cash at bank, restricted bank balance and time deposits in banks range from 0.05% to 3.50% per annum (2011: 0.05% to 3.50% per annum); these deposits have maturity from 3 to 356 days (2011: from 7 to 357 days).

30. SHARE CAPITAL

	Number of shares thousand	**Value HK$'000**
Ordinary shares of HK$0.10 each		
Authorized:		
At 1 January 2011, 31 December 2011 and 31 December 2012	3,000,000	300,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 31 December 2012	1,067,470	106,747

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

31. SHARE OPTION SCHEME

The Company has adopted an equity-settled share option scheme (the "Option Scheme") on 25 May 2007 under which the directors may, at their discretion and within 10 years from the approval date, offer to grant options to the participants pursuant to the criteria set out in the Option Scheme. The Company operates the Option Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time. The subscription price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet (the "Daily Quotation") on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Daily Quotation for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. A cash consideration of HK$1 is payable by the grantee on acceptance of the offer of grant of any option. The life of the Option Scheme will expire on 24 May 2017.

Details of share options granted by the Company are as follows:

			Number of share options								
Date of grant	Exercisable period	Exercise price	Balance at 1 January 2011	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2011	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2012
		HK$									
19 December 2007	17 January 2008 to 24 May 2017	8.04	5,300,000	–	–	(900,000)	4,400,000	**–**	**–**	**(900,000)**	**3,500,000**
16 December 2009	16 December 2009 to 24 May 2017	5.75	13,000,000	–	–	(1,900,000)	11,100,000	**–**	**–**	**(1,900,000)**	**9,200,000**
3 December 2010	3 December 2010 to 24 May 2017	6.07	300,000	–	–	–	300,000	**–**	**–**	**–**	**300,000**
7 November 2011	11 November 2011 to 24 May 2017	3.56	–	16,800,000	–	–	16,800,000	**–**	**–**	**(900,000)**	**15,900,000**
19 December 2012	19 December 2012 to 24 May 2017	4.06	–	–	–	–	–	**18,800,000**	**–**	**–**	**18,800,000**
			18,600,000	16,800,000	–	(2,800,000)	32,600,000	**18,800,000**	**–**	**(3,700,000)**	**47,700,000**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

31. SHARE OPTION SCHEME (Cont'd)

The estimated fair value of share options granted is based on the Binomial model, the significant inputs into which are as follows:

Date of grant	**19 December 2012**	7 November 2011
Exercise price	**HK$4.06**	HK$3.56
Expected volatility	**39%**	45%
Expected option life	**Approximate 4.4 years**	Approximate 5.5 years
Annual risk free interest rate	**0.322%**	0.835%
Dividend yield (semi-annual)	**1.8%**	1.8%
Average fair value	**HK$0.9686**	HK$1.0616

The expected volatility measured at the standard deviation is based on the historical data of the weekly share price movement of the Company.

Of the outstanding share options at 31 December 2012, 36,700,000 share options (2011: 26,700,000 share options) were granted to the directors. Details of the share options granted to directors are set out in section headed "Share Option Scheme" in the Report of the Directors.

All share options granted were vested immediately.

The amount of share option expenses is disclosed in Note 9.

Notes to the Consolidated Financial Statements

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32. RESERVES

The Group

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share-based payment reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Available-for-sale revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	9,010	5,004,487	81,825	209,797	41,576	359,942	1,017,829	283,522	1,766,521	8,774,509
Profit for the year	—	—	—	—	—	—	—	—	437,195	437,195
Other comprehensive income for the year	—	—	—	—	—	—	375,217	(122,629)	—	252,588
Share-based payments										
— the Group	—	—	—	—	17,835	—	—	—	—	17,835
— associates	—	—	—	—	195	—	—	—	—	195
Transfer between reserves	—	—	2,150	46,199	—	—	—	—	(48,349)	—
Transfer upon lapse of share options	—	—	—	—	(3,975)	—	—	—	3,975	—
At 31 December 2011 and at 1 January 2012	**9,010**	**5,004,487**	**83,975**	**255,996**	**55,631**	**359,942**	**1,393,046**	**160,893**	**2,159,342**	**9,482,322**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**413,094**	**413,094**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**8,067**	**26,932**	**—**	**34,999**
Share-based payments										
— the Group	**—**	**—**	**—**	**—**	**18,210**	**—**	**—**	**—**	**—**	**18,210**
— associates	**—**	**—**	**—**	**—**	**562**	**—**	**—**	**—**	**—**	**562**
Transfer between reserves	**—**	**—**	**2,566**	**43,988**	**—**	**—**	**—**	**—**	**(46,554)**	**—**
Transfer upon lapse of share options	**—**	**—**	**—**	**—**	**(6,331)**	**—**	**—**	**—**	**6,331**	**—**
At 31 December 2012	**9,010**	**5,004,487**	**86,541**	**299,984**	**68,072**	**359,942**	**1,401,113**	**187,825**	**2,532,213**	**9,949,187**

Retained earnings attributable to associates and accumulated losses attributable to jointly controlled entities amounted to HK$1,016,737,000 (2011: HK$1,063,539,000) and HK$91,112,000 (2011: HK$91,613,000) respectively.

Statutory reserves and general reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries established in PRC and cannot be used for distribution in the form of cash dividends.

According to the articles of association of each of the Group's subsidiaries established in the PRC, a percentage, as stated in the articles of association or as approved by the board of directors of the subsidiaries, of net profit as reported in the PRC statutory accounts must be appropriated to reserve fund and enterprise expansion reserve, both of which are classified under statutory reserves. The percentage of appropriation is determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in capital.

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32. RESERVES (Cont'd)

The Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	5,004,487	33,869	1,358,662	(146,306)	6,250,712
Profit for the year	—	—	—	234,944	234,944
Share-based payments	—	17,835	—	—	17,835
Transfer upon lapse of share options	—	(3,975)	—	3,975	—
Currency translation differences	—	—	319,328	—	319,328
At 31 December 2011 and at 1 January 2012	**5,004,487**	**47,729**	**1,677,990**	**92,613**	**6,822,819**
Loss for the year	**—**	**—**	**—**	**(16,584)**	**(16,584)**
Share-based payments	**—**	**18,210**	**—**	**—**	**18,210**
Transfer upon lapse of share options	**—**	**(6,331)**	**—**	**6,331**	**—**
Currency translation differences	**—**	**—**	**(899)**	**—**	**(899)**
At 31 December 2012	**5,004,487**	**59,608**	**1,677,091**	**82,360**	**6,823,546**

33. BANK BORROWINGS

	The Group 2012 HK$'000	The Group 2011 HK$'000	The Company 2012 HK$'000	The Company 2011 HK$'000
Non-current				
Bank borrowings				
— Unsecured	**1,993,500**	1,987,500	**1,993,500**	1,987,500
Current				
Short term bank borrowings				
— Unsecured	**393,340**	362,514	**—**	—
— Secured	**157,962**	—	**—**	—
Discounted notes with recourse (note (e))	**14,612**	—	**—**	—
	565,914	362,514	**—**	—
Total borrowings	**2,559,414**	2,350,014	**1,993,500**	1,987,500

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33. BANK BORROWINGS (Cont'd)

notes:

(a) The maturity of bank borrowings is as follows:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings (note (f)):				
Within one year	**565,914**	362,514	**–**	–
In the second year	**1,993,500**	–	**1,993,500**	–
In the third year	**–**	1,987,500	**–**	1,987,500
Wholly repayable within five years	**2,559,414**	2,350,014	**1,993,500**	1,987,500

(b) The carrying amounts of the borrowings are denominated in the following currencies:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Renminbi	**565,914**	362,514	**–**	–
HK dollar	**1,993,500**	1,987,500	**1,993,500**	1,987,500
	2,559,414	2,350,014	**1,993,500**	1,987,500

(c) The effective interest rates of bank borrowings at the balance sheet date are as follows:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	%	%	**%**	%
Bank borrowings:				
Renminbi	**5.59**	7.54	**N/A**	N/A
HK dollar	**1.70**	1.70	**1.70**	1.70

(d) The carrying amounts of all bank borrowings approximate their fair values.

(e) Note receivables of HK$14,612,000 were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the notes receivables and the related bank borrowings.

(f) On 18 February 2011, a term loan banking facility (the "Facility") of HK$2,000,000,000 was concluded and has been included in the bank borrowings of the Group. The tenor of the Facility is up to 60 months unless not extended by the lenders at the 36th month from the date of the Facility agreement. Pursuant to the Facility agreement, it is an event of default, inter alia, if:

(i) The Tianjin Municipal Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%; or

(ii) The Company ceases to be under the direct or indirect control of Tsinlien which is controlled by Tianjin Municipal Government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. DEFERRED TAXATION

	2012 **HK$'000**	2011 HK$'000
Deferred tax assets	**106,127**	100,051
Deferred tax liabilities	**(119,071)**	(76,056)
Deferred tax (liabilities) assets, net	**(12,944)**	23,995

notes:

(a) Deferred tax is calculated in full on temporary differences under the liability method using tax rates of the relevant subsidiaries applicable to the period when the asset is expected to be realized or the liability to be settled, based on tax rates that have been substantively enacted by the balance sheet date.

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

(c) Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$280,074,000 (2011: HK$217,909,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(d) The following are the major deferred tax (liabilities) and assets recognized and movements thereon during the current and prior years:

	Accelerated depreciation HK$'000	**Others HK$'000**	**Revaluation of property HK$'000**	**Revaluation of available-for-sale financial assets HK$'000**	**Provisions for impairment HK$'000**	**Tax loss HK$'000**	**Fair value adjustments on business combination HK$'000**	**Total HK$'000**
At 1 January 2011	(18,143)	(3,085)	—	(8,797)	33,205	121,401	—	124,581
Deferred tax (charged) credited to income statement	(837)	—	2,558	—	—	(34,163)	—	(32,442)
Release on disposal of available-for-sale financial assets	—	—	—	9,020	—	—	—	9,020
Exchange differences	187	(152)	—	(223)	1,638	—	—	1,450
Reclassification from liabilities associated with assets held for sale	—	—	(78,614)	—	—	—	—	(78,614)
At 31 December 2011 and at 1 January 2012	**(18,793)**	**(3,237)**	**(76,056)**	**—**	**34,843**	**87,238**	**—**	**23,995**
Deferred tax credited (charged) to income statement	**1,126**	**—**	**(3,699)**	**—**	**—**	**(5,758)**	**—**	**(8,331)**
Acquisition of subsidiaries	**4,654**	**—**	**—**	**—**	**3,129**	**2,925**	**(39,325)**	**(28,617)**
Exchange differences	**—**	**—**	**9**	**—**	**—**	**—**	**—**	**9**
At 31 December 2012	**(13,013)**	**(3,237)**	**(79,746)**	**—**	**37,972**	**84,405**	**(39,325)**	**(12,944)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. TRADE PAYABLES AND NOTES PAYABLES

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

	2012	2011
	HK$'000	HK$'000
Within 30 days	**501,408**	32,178
31 to 90 days	**371,657**	248,961
91 to 180 days	**319,209**	—
Over 180 days	**222,544**	107,354
	1,414,818	388,493

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

36. OTHER PAYABLES AND ACCRUALS

The other payables and accruals mainly consist of receipts in advance, accruals and the outstanding consideration payable on the Acquisitions (as defined in Note 37).

37. ACQUISITION OF SUBSIDIARIES

On 1 November 2012, Tianjin Tai Kang, a non wholly-owned subsidiary of the Company, entered into two agreements with Tianjin Benefo Machinery & Electric Holding Co., Ltd (天津百利機電控股集團有限公司), a company established in the PRC and controlled by the Tianjin Municipal Government, in relation to the acquisition of (i) 56.62% equity interest in Tianduan at a consideration of RMB455,557,000 (equivalent to approximately HK$560,334,000, by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012); and (ii) 66% equity interest in Tianfa Equipment at a consideration of RMB301,984,000 (equivalent to approximately HK$371,439,000 by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012) (the "Acquisition(s)"). The purpose of the Acquisitions is to enable the Group to expedite business restructuring and explore new businesses. All the conditions precedent were fulfilled on 31 December 2012 and accordingly, the Acquisitions were completed and control over Tianduan and Tianfa Equipment was passed to the Group on the same date.

The Group has settled RMB337,260,000 (equivalent to approximately HK$414,324,000) for the Acquisitions. The remaining unsettled balance of RMB421,524,000 (equivalent to approximately HK$519,759,000) was included in other payables of the Group at 31 December 2012 and subsequently settled in January 2013.

Upon completion of the Acquisitions, Tianduan and Tianfa Equipment have become 78.45% and 100% owned subsidiaries of the Company respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. ACQUISITION OF SUBSIDIARIES (Cont'd)

Assets acquired and liabilities recognized at the Acquisitions date, as provisionally determined, are as follows:

	notes	Tianduan HK$'000	Tianfa Equipment HK$'000	Total HK$'000
Consideration transferred:				
Cash consideration paid		291,019	123,305	414,324
Consideration payable, repayable on demand		270,704	249,055	519,759
Fair value of previously held interest	(b)	216,573	156,630	373,203
Total		778,296	528,990	1,307,286
Assets acquired and liabilities recognized at the Acquisitions date are as follows:				
Property, plant and equipment	(c)	287,710	141,148	428,858
Land use rights	(c)	130,703	87,571	218,274
Deferred tax assets		5,187	5,521	10,708
Intangible assets	(c)	143,364	96,444	239,808
Inventories	(c)	77,536	60,072	137,608
Trade receivables		154,294	161,574	315,868
Notes receivables		141,435	13,538	154,973
Other receivables, deposits and prepayments		24,675	57,071	81,746
Amounts due from related companies		2,839	—	2,839
Amounts due from customers for contract work	(c)	398,151	568,090	966,241
Financial asset at fair value through profit or loss		—	23,689	23,689
Cash and cash equivalents		227,046	22,713	249,759
Restricted bank balance		51,433	42,130	93,563
Time deposit with maturity over three months		—	20,201	20,201
Trade payables		(459,165)	(299,988)	(759,153)
Notes payables		(107,272)	(75,105)	(182,377)
Other payables and other accruals		(95,176)	(139,307)	(234,483)
Amounts due to related companies		(10,047)	(57,626)	(67,673)
Amounts due to customers for contract work	(c)	(66,851)	(37,358)	(104,209)
Current tax liabilities		(14,812)	(24,833)	(39,645)
Bank borrowings		(14,612)	(170,293)	(184,905)
Deferred tax liabilities	(c)	(23,123)	(16,202)	(39,325)
		853,315	479,050	1,332,365
Goodwill arising on acquisition:				
Consideration transferred		778,296	528,990	1,307,286
Plus: non-controlling interests	(d)	183,889	—	183,889
Less: net assets acquired		(853,315)	(479,050)	(1,332,365)
Goodwill arising on acquisition	(e)	108,870	49,940	158,810
Net cash outflow on acquisition:				
Cash consideration paid		291,019	123,305	414,324
Less: cash and cash equivalent balances acquired		(227,046)	(22,713)	(249,759)
		63,973	100,592	164,565

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. ACQUISITION OF SUBSIDIARIES (Cont'd)

notes:

(a) The Acquisitions were accounted for using the purchase method of accounting.

(b) The carrying amounts of the previous interest held by the Group (i.e. the interest in associates) was deemed to be disposed upon completion of the Acquisitions. Gain on disposal of interest in associates amounted to HK$58,682,000 (as disclosed in Note 7) was recognised in the consolidated income statement, being the difference between the carrying amounts of interest in Tianduan and Tianfa Equipment of HK$173,348,000 and HK$141,173,000 respectively and the fair values of such previously held interest in Tianduan and Tianfa Equipment of HK$216,573,000 and HK$156,630,000 respectively with reference to the consideration.

(c) The fair value of these items and relevant deferred tax impact are provisionally determined with reference a preliminary professional valuation conducted by an independent valuer. The intangible assets represent patents of Tianduan and Tianfa Equipment.

(d) The non-controlling interests of 21.55% in Tianduan recognized at the acquisition date were measured at their proportionate share of the fair value of the respective net identifiable assets in Tianduan.

(e) Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tianduan and Tianfa Equipment. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. However, the initial accounting of the acquisition of Tianduan and Tianfa Equipment has been determined on a provisional basis, pending finalization of the professional valuation of certain assets. Hence the goodwill as set out above, which is not expected to be tax deductible, is subject to further changes.

For the purposes of impairment testing, the abovementioned goodwill has been allocated to the electrical and mechanical segment, which is considered to be one group of CGU. During the year ended 31 December 2012, management of the Group determined that there was no impairment in this group of CGU, containing goodwill on the basis that the recoverable amount of this group of CGU, has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming 3 years and using a discount rate of 11%. The cash flows beyond the budget year are extrapolated for 8 years using a steady 3% growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sale and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

(f) The total acquisition-related costs of approximately HK$17,000,000 have been excluded from the costs of acquisitions and have been recognized as an expense in the year, within the "general and administrative expenses" line item in the consolidated income statement.

(g) Management considered that the profit and revenue for the year attributable to the additional business generated by the new subsidiaries acquired is immaterial to disclose.

(h) The total group revenue for the year would have been HK$5,398,300,000 and profit for the year would have been HK$ 546,613,000 if the Acquisitions had been completed on 1 January 2012. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved should the acquisition have been completed on 1 January 2012, nor should it be intended to be a projection of future results.

In determining the 'pro-forma' profit of the Group had Tianduan and Tianfa Equipment been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment, amortization of land use rights and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

38. OPERATING LEASE COMMITMENTS

The Group as lessee

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Not later than one year	**9,019**	3,858	**7,327**	3,153
Later than one year and not later than five years	**6,112**	1,687	**5,094**	240
	15,131	5,545	**12,421**	3,393
Plants, pipelines and networks				
Not later than one year	**70,434**	71,754	**—**	—
Later than one year and not later than five years	**3,436**	—	**—**	—
	73,870	71,754	**—**	—
	89,001	77,299	**12,421**	3,393

The Group as lessor

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment properties				
Not later than one year	**8,347**	5,302	**8,347**	5,302
Later than one year and not later than five years	**21,238**	21,208	**21,238**	21,208
Over five years	**2,209**	7,511	**2,209**	7,511
	31,794	34,021	**31,794**	34,021

Notes to the Consolidated Financial Statements

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39. CAPITAL COMMITMENTS

	2012	2011
	HK$'000	HK$'000
Authorized but not contracted for in respect of		
— Improvements on plant and machinery	**1,072,095**	825,098
Contracted but not provided for in respect of		
— Property, plant and machinery	**259,894**	152,728
— Capital injection in an associate	**—**	190,691
— Capital injection in jointly controlled entities	**—**	17,387
	259,894	360,806

40. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure general banking facilities:

	2012	2011
	HK$'000	HK$'000
Buildings	**41,036**	—
Land use rights	**87,571**	—
Bank deposits	**102,811**	3,083
Notes receivables	**14,612**	—
	246,030	3,083

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2012	2011
	HK$'000	HK$'000
Profit before tax	**545,095**	617,185
Adjustments for:		
Share of profit of associates	**(458,535)**	(603,451)
Share of (profit) loss of jointly controlled entities	**(501)**	1,088
Finance costs	**63,233**	33,704
Interest income	**(162,997)**	(110,233)
Depreciation	**97,935**	74,761
Amortization	**6,992**	6,858
Impairment loss on property, plant and equipments	**30,000**	—
Net loss (gain) on disposal of property, plant and equipment	**3,159**	(109)
Gain on fair value change of investment properties	**(25,228)**	—
Gain on disposal of associates	**(58,682)**	—
Unrealized loss on financial assets at fair value through profit or loss	**170**	14,471
(Reversal of) allowance for impairment of trade receivables	**(2,866)**	14,793
Net exchange gain	**(5,063)**	(34,360)
Share based payments	**18,210**	17,835
Gain on disposal of assets held for sale	**—**	(6,689)
Loss on deemed disposal of associates	**—**	2,372
Net gain on disposal of available-for-sale financial asset	**(4,644)**	(30,872)
Changes in working capital:		
Inventories	**501**	1,967
Trade receivables	**90,379**	136,076
Notes receivables	**(2,344)**	250
Other receivables, deposits and prepayments	**(14,990)**	39,915
Financial assets at fair value through profit or loss	**(75,661)**	68,287
Trade payables	**63,428**	87,708
Notes payable	**21,367**	(26,240)
Other payables and accruals	**61,578**	37,152
Amount due from ultimate holding company	**(181)**	(171)
Amounts due to related companies	**66,166**	146,213
Net cash generated from operations	**256,521**	488,510

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

42. RELATED PARTY TRANSACTIONS

The Group is controlled by Tsinlien, a company incorporated in Hong Kong, which owned 59.01% of the Company's shares as at 31 December 2012 (2011: 55.02%). The remaining 40.99% (2011: 44.98%) of the Company's shares are widely held.

Tsinlien is a state-owned enterprise and is controlled by the Tianjin Municipal Government of PRC. In accordance with HKAS 24 (Revised) Related Party Disclosures, entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Tsinlien, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and Tsinlien as well as their close family members.

For the years of 2012 and 2011, except for the government supplemental income granted by the TEDA Finance Bureau to the utilities business (Note 5), the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include majority of its cash at bank and time deposits in bank and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water which constituted the majority of the Group's purchases). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances during the year ended 31 December 2012 set out in Notes 23, 24 and 37, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(a) Transactions with related companies of the Group (note)

	2012 HK$'000	2011 HK$'000
Operating lease expenses for land	**4,375**	3,501
Operating lease expenses for plants, pipelines and networks	**150,801**	147,137
Purchase of steam for sale	**901,729**	830,184

note: The related companies are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries which entered into the above-mentioned transactions. Balances with related companies are set out in Note 24.

(b) Key management compensation

	2012 HK$'000	2011 HK$'000
Fees	**—**	—
Salaries and other emoluments	**19,775**	16,523
Share-based payments	**15,450**	14,361
	35,225	30,884

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board on 27 March 2013.

44. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2012 are set out below:

			Percentage		
Name	**Principal activities**	**Issued and paid up capital/ registered capital**	**Attributable to the Group**	**Held by the Company**	**Held by subsidiaries**
Established and operating in the PRC					
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB80,018,400	**100**	**100**	**–**
Tianjin Tai Kang Industrial Co., Ltd. ("Tianjin Tai Kang")	Investment holding	RMB1,030,269,400	**82.74**	**82.74**	**–**
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB342,811,526	**100**	**100**	**–**
Tianjin TEDA Tsinlien Electric Power Co., Ltd.	Supply of electricity	RMB314,342,450	**94.36**	**–**	**94.36**
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	Supply of water	RMB163,512,339	**91.41**	**–**	**91.41**
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	Supply of steam and thermal power	RMB262,948,258	**90.94**	**–**	**90.94**
Tianjin First Hotel Ltd.	Possession of hotel property in Tianjin	US$9,000,000	**75**	**–**	**75**
Tianjin Tianduan Press Co., Ltd. ("Tianduan")	Manufacture and sale of presses and mechanical equipments	RMB50,776,070	**64.91**	**–**	**78.45**
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment")	Manufacture and sale of hydroelectric equipments and large scale pump units	RMB180,597,627	**82.74**	**–**	**100**

Notes to the Consolidated Financial Statements

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44. PRINCIPAL SUBSIDIARIES (Cont'd)

			Percentage		
Name	**Principal activities**	**Issued and paid up capital/ registered capital**	**Attributable to the Group**	**Held by the Company**	**Held by subsidiaries**
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	**–**
Famous Ever Group Limited	Investment holding	US$1	**100**	**100**	**–**
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	**–**
Loyal Right Limited	Investment holding	US$1	**100**	**–**	**100**
Established and operating in Hong Kong					
Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong	HK$200,000	**100**	**–**	**100**
Lethia Limited	Investment holding	HK$300,000	**100**	**–**	**100**
Godia Holdings Limited	Investment holding	HK$15	**100**	**–**	**100**

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45. PRINCIPAL ASSOCIATES

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Group	Percentage: Held by the Company	Percentage: Held by subsidiaries
Established and operating in the PRC					
Otis Elevator (China) Investment Company Limited ("Otis China")	Investment holding	US$79,625,000	**16.55**	**—**	**20**
Liaoning Wunushan Milan Winery Co., Ltd. ("Milan Winery")	Brewing and processing of wine and ice wine products	RMB20,000,000	**25.00**	**—**	**25.00**
Established in Cayman Islands, operating in and listed in Hong Kong					
Dynasty Fine Wines Group Limited ("Dynasty")	Investment holding	HK$124,820,000	**44.70**	**—**	**44.70**
Tianjin Port Development Holdings Limited ("Tianjin Port")	Investment holding	HK$615,800,000	**21.00**	**—**	**21.00**

46. PRINCIPAL JOINTLY CONTROLLED ENTITY

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Group	Percentage: Held by the Company	Percentage: Held by subsidiaries
Established and operating in the PRC					
Tianjin Haihe Dairy Company Limited	Produce and sale of dairy products	RMB200,000,000	**40**	**—**	**40**

Financial Summary

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Results					
Revenue	2,566,847	2,841,186	3,223,034	3,517,032	**3,890,394**
Operating profit (loss) less finance costs	150,920	126,021	(844,591)	14,822	**86,059**
Share of profit (loss) of:					
Associates	253,964	342,306	551,165	603,451	**458,535**
Jointly controlled entities	(19,832)	(9,940)	(19,522)	(1,088)	**501**
Profit (loss) before tax	385,052	458,387	(312,948)	617,185	**545,095**
Income tax (expense) credit	57,360	(32,934)	(53,667)	(109,662)	**(58,375)**
Profit (loss) for the year from continuing operations	442,412	425,453	(366,615)	507,523	**486,720**
Profit (loss) for the year from operation of toll roads and port services	176,881	(646,470)	818,105	—	**—**
Profit (loss) for the year	619,293	(221,017)	451,490	507,523	**486,720**
Attributable to:					
Owners of the Company	524,552	(195,141)	474,172	437,195	**413,094**
Non-controlling interests	94,741	(25,876)	(22,682)	70,328	**73,626**
	619,293	(221,017)	451,490	507,523	**486,720**
Dividends	96,072	55,508	—	—	**—**
Assets and liabilities					
Total assets	14,871,516	16,286,254	13,173,667	14,431,733	**17,587,863**
Total liabilities	4,170,989	5,509,908	3,766,934	4,249,728	**6,682,075**
Total equity	10,700,527	10,776,346	9,406,733	10,182,005	**10,905,788**

note: The financial figures for the year 2008 to 2011 were extracted from the 2011 annual report.