天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED
Stock Code : 882

ANNUAL REPORT 2011

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
Dr. Gong Jing
Mr. Wang Zhiyong

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

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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Facsimile : (852) 2311 0896
E-mail : ir@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

Industrial and Commercial Bank of China (Asia) Limited
CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
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 Marriott Hong Kong
Hyatt Regency Tianjin Hotel

Strategic And Other Investments

Dynasty Fine Wines (828.HK)
Tianjin Port (3382.HK)
Presses
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%	Operation of Hyatt Regency Tianjin Hotel

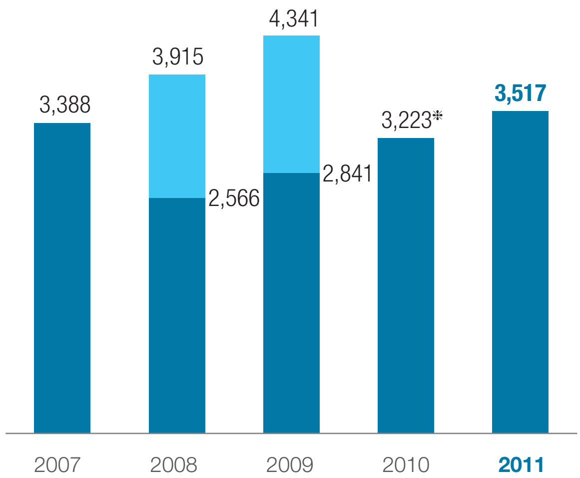
STRATEGIC AND OTHER INVESTMENTS

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
Tianjin Tianduan Press Co., Ltd.	18.06%	Manufacture and sale of presses and mechanical equipments
Otis Elevator (China) Investment Company Limited	16.55%	Manufacture and sale of elevators and escalators

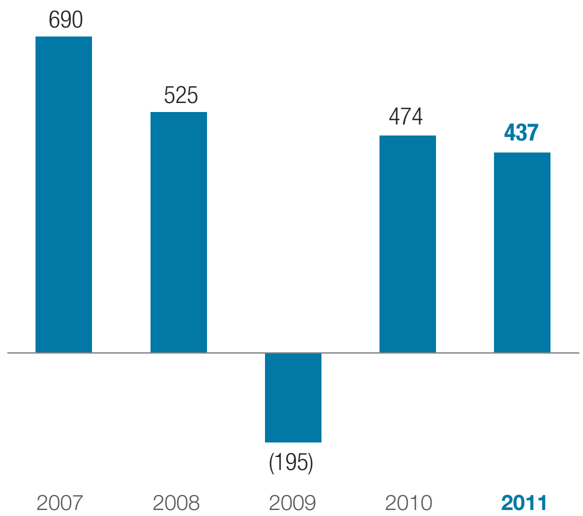
note: The above percentages represent effective equity interest in respective companies or group of companies.

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)



* 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 the port services ceased being a subsidiary of the Group, and became an associate in February 2010.

Results of the operation of toll roads and port services were separately presented from the continuing operations in 2009. The results prior to 2008 have not been restated.

Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

for the year ended 31 December

Turnover

	2011 HK$ million	2010 HK$ million	Changes (%)
Utilities	**3,402**	3,137	8
Hotels	**115**	86	34
	3,517	3,223	9

Profit (loss) Attributable to Owners of the Company

	2011 HK$ million	2010 HK$ million	Changes HK$ million
Utilities	**71**	(691)	762
Hotels	**(23)**	(54)	31
Winery	**2**	71	(69)
Port Services	**150**	110	40
Elevators and Escalators	**362**	297	65
Toll Roads	**—**	(41)	41
Exceptional gain (note)	**29**	866	(837)
Corporate and others	**(154)**	(84)	(70)
	437	474	(37)

note: Exceptional gain mainly refers to the gain from disposal of entire interest in Tangjin Expressway.

Chairman's Statement

Mr. Yu Rumin
Chairman

PROFIT FOR THE YEAR 2011

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2011 was approximately HK$437,000,000, representing a drop of approximately 8% compared with last year's profit attributable to shareholders of HK$474,000,000. If excluding exceptional items, there would be a recurring profit of approximately HK$408,000,000, a little better than last year's recurring profit of approximately HK$407,000,000. In view of the development needs and long-term arrangements of the Company, a final dividend is not recommended by the Board.

BUSINESS OVERVIEW

During the year, the Company has achieved expected progress in its businesses. Upon the disposal of the equity interest in Tangjin Expressway, the divestment of non-core businesses has been basically completed in an orderly manner. During the year, the Company acquired 21.83% equity interest in Tianjin Tianduan Press Co., Ltd. with a view to develop a business with potential and can be sustainable in future. The orderly divestment of non-core businesses has increased the amount of cash in hand and laid the foundation to further optimize the asset structure and to gradually become a holding company with prominent and core business.

Utility business remained stable but the impact of change in the government supplemental income policy needs to be further evaluated. The Company has to be well prepared for future challenges.

The performance of Courtyard by Marriott Hong Kong is satisfactory with continuous improvement of its average occupancy rate to approximately 86%. If excluding deferred taxation, pre-tax earnings would have been recorded. Hotel property in Tianjin is retained for future development.

During the year, strategic investments received expected returns. Apart from Dynasty Fine Wines Group Limited, Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited have reached or exceeded target levels.

Chairman's Statement

CORPORATE GOVERNANCE

In order to improve corporate structure and governance, the Company has in December 2011 established a nomination committee consisting mainly of independent non-executive directors to review the balance and effectiveness of the Board on a regular basis and identify and recommend suitable candidates to join the Board through a fair and transparent process.

The Company will as always endeavor to ensure proper implementation of the guidelines as set out in the Code on Corporate Governance Practices and the accurate and timely disclosure of all information.

OUTLOOK

In 2012, the global economy will continue to encounter many challenges, especially the Euro zone debt crisis which has led to uncertainties in political and economic arenas. It is expected that with the implementation of new economic policies and measures by the central government and the continuous adjustment of the economic growth model, the overall economy of China will enjoy a stable and healthy growth. The Company will continue to leverage on its strengths and participate actively in the restructuring of state-owned assets of Tianjin city; and under the strong support of Tianjin Municipal Government and the parent company, expedite the business restructuring and explore new businesses while maintaining steady and sustainable growth of various businesses.

In view of a volatile external environment and tightening monetary policies implemented by the central government, the Company will continue to maintain the principle of equally emphasizing development and prudence and stick to disciplined financial management so as to enable the Company to stand at an advantageous and stable position at any time. Looking forward, the Company is fully confident in its overall business performance.

Lastly, I would like to take this opportunity to thank all members of the Board, the management team and employees for their persevering efforts and contributions.

Yu Rumin
Chairman

29 March 2012, 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 2011, the Electricity Company reported revenue of approximately HK$2,087.2 million and profit of approximately HK$16.9 million, representing an increase of 7.7% and a decrease of 59% respectively over last year. The decline in profit for the year was mainly due to the decrease of supplemental income from the TEDA Finance Bureau. The total quantity of electricity sold for the year was approximately 2,600,000,000 kWh, representing an increase of 4% over last year.

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It is also engaged 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 2011, the Water Company reported revenue of approximately HK$316.8 million, representing an increase of 1% over last year; and profit of approximately HK$5.8 million. Last year a loss of approximately HK$22.8 million was recorded, if excluding an impairment loss of approximately HK$263.8 million. The profit during the

Management Discussion and Analysis

year was mainly attributable to the rise of water price which has offset the impact of decrease of the government supplemental income in 2011. The total quantity of water sold for the year was approximately 47,556,000 tonnes, representing a decline of 0.3% over last year.

Heat and Thermal Power

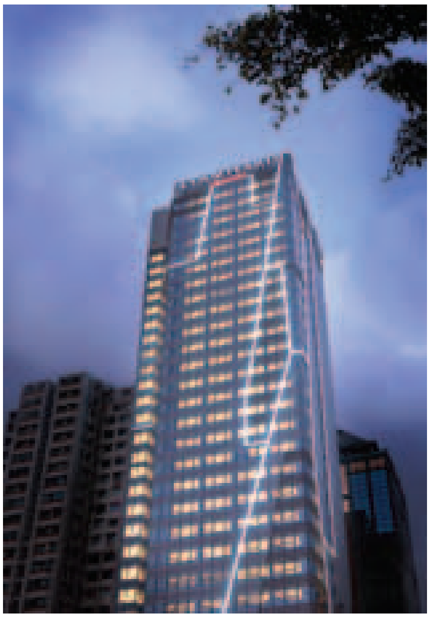
Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 360 kilometres and more than 99 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2011, the Heat & Power Company reported revenue of approximately HK$998.4 million representing an increase of 13% over last year; and profit of approximately HK$49.6 million. A loss of approximately HK$15.3 million was recorded in last year, if excluding the impairment of approximately HK$489.7 million. The profit during the year was mainly due to the write-back of depreciation expenses arising from the impairment in plant, properties and equipments provided in last year. The total quantity of steam sold for 2011 was approximately 3,924,000 tonnes, representing an increase of 2.7% 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 2011, Courtyard Hotel's revenue increased by 34% to approximately HK$113.7 million and loss of approximately HK$10.9 million was recorded. It would have recorded a profit before tax of approximately HK$24 million if excluding one-off deferred tax of HK$35 million. The good performance was benefited from the robust economy in Hong Kong and its excellent service which resulted in the improvement of room rate. During the year, the average occupancy rate increased to approximately 86 % from 83% in last year.

Hyatt Regency Tianjin Hotel

Hyatt Regency Tianjin Hotel ("Hyatt Hotel") has been closed since July 2009. Hyatt Hotel was classified as assets held for sale in 2010. After consideration of various factors and current market condition, it would be appropriate to retain

Management Discussion and Analysis

it for future development. Accordingly, the assets and liabilities related to Hyatt Hotel were reclassified from assets held for sale to the corresponding line items on the consolidated financial statements of the Group. During the year, Hyatt Hotel recorded a loss of approximately HK$18.6 million.

Strategic and Other Investments

Winery

During the year, the revenue of Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) decreased by 10% to approximately HK$1,445.1 million; profit attributable to owners of Dynasty dropped by 97% to approximately HK$4.3 million. Sales volume declined by 18% to 51.9 million bottles. Red wine accounted for approximately 84% of total sales. The poor results were mainly due to (i) decrease in sales volume; and (ii) shrink in gross profit margin.

Dynasty contributed to the Group a profit of approximately HK$1.9 million, representing a decline of 97% over last year.

Port Services

During the year, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) increased by 10% to approximately HK$16,547.7 million and profit attributable to owners of Tianjin Port was approximately HK$713 million, representing an increase of 25% over last year. The satisfactory results were due to the increase of overall throughput, especially the cargo throughput, and rise of unit price. The expanded operating scale and the complementary business structure have strengthened its competitiveness in the volatile worldwide economy and demonstrated its advantages.

Tianjin Port contributed to the Group a profit of approximately HK$149.8 million, representing an increase of 36% 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$16,521 million, representing an increase of 23% over 2010.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$362.1 million, representing an increase of 22% over last year.

Investment in Binhai Investment Company Limited

During the year, the Group had 8.28% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 8035). As at 31 December 2011, the market value of the Group's interest in Binhai Investment amounted to approximately HK$193.5 million (2010: approximately HK$282.8 million) and the unrealized fair value loss of approximately HK$89.3 million (2010: approximately HK$134 million) was recognized in other comprehensive income.

Acquisition of 21.83% equity interest in Tianjin Tianduan Press Co., Ltd.

On 11 October 2011, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) ("Tianjin Tai Kang"), a non wholly-owned subsidiary of the Company, entered into a capital injection 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") and Mr. Wu Ri which owned 78.45% and 21.55%, respectively of the then registered capital of Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("Tianjin Tianduan"). Tianjin Benefo is also a non-controlling shareholder of Tianjin Tai Kang.

Pursuant to the capital injection agreement, Tianjin Tai Kang and Mr. Wu Ri have agreed to inject cash of RMB135,000,000 (equivalent to approximately HK$165,222,000) and RMB83,833,000 (equivalent to approximately HK$102,601,000) respectively, and Tianjin Benefo has agreed to inject land and properties with an aggregate value of RMB170,183,000 (equivalent to approximately HK$208,282,000) into Tianjin Tianduan whereby on completion, Tianjin Tai Kang would own 21.83% of the enlarged capital of Tianjin Tianduan.

The capital injection was financed by internal resources of Tianjin Tai Kang and was completed on 11 November 2011. Tianjin Tianduan since then became an associate of the Group and equity accounting was adopted by the Group in respect of its equity interest in Tianjin Tianduan.

Details of the acquisition can be referred to the announcement of the Company dated 11 October 2011.

Disposal of Investment in Tangjin Expressway

On 22 June 2011, the Group through its wholly-owned subsidiary, Godia Holdings Limited, entered into a sale and purchase agreement with Tianjin Expressway Group Co., Ltd. (天津高速公路集團有限公司) ("Tianjin Expressway Group") for the disposal of its entire 6.62% equity interest in Tianjin Xinzhan Expressway Co., Ltd (天津新展高速公路有限公司) ("Tianjin Xinzhan") at a cash consideration of RMB118,100,000 (equivalent to approximately HK$143,774,000) (the "Disposal").

Management Discussion and Analysis

Tianjin Xinzhan was owned by the Group, Tianjin Expressway Group and Grace Crystal Limited as to 6.62%, 33.38% and 60% respectively and has been principally engaged in construction, operation, management and maintenance of Tangjin Expressway, Tianjin north section and the provision of related services. The Disposal was approved by the relevant governmental authorities in the PRC and completed on 12 October 2011. A gain of approximately HK$31,272,000 was recognized by the Group accordingly.

PROSPECT

In 2012, the global economy will continue to encounter many challenges, especially the Euro zone debt crisis which has led to uncertainties in political and economic arenas. It is expected that with the implementation of new economic policies and measures by the central government and the continuous adjustment of the economic growth model, the overall economy of China will enjoy a stable and healthy growth. The Company will continue to leverage on its strengths and participate actively in the restructuring of state-owned assets of Tianjin city; and under the strong support of Tianjin Municipal Government and the parent company, expedite the business restructuring and explore new businesses while maintaining steady and sustainable growth of various businesses.

In view of a volatile external environment and tightening monetary policies implemented by the central government, the Company will continue to maintain the principle of equally emphasizing development and prudence and stick to disciplined financial management so as to enable the Company to stand at an advantageous and stable position at any time. Looking forward, the Company is fully confident in its overall business performance.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2011, the Group's total cash on hand and total bank borrowings stood at approximately HK$3,763 million and approximately HK$2,350 million respectively (2010: approximately HK$2,951 million and approximately HK$2,168 million respectively). The bank borrowings of approximately HK$362.5 million (2010: approximately HK$2,168 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 24% as at 31 December 2011 (2010: approximately 24%).

Of the total HK$2,350 million bank borrowings outstanding as at 31 December 2011, HK$1,987.5 million were subject to floating rates with a spread of 1.40% over HIBOR of relevant interest periods and RMB50 million (equivalent to approximately HK$61.6 million) was calculated at the 10 basis points over benchmark rate of the People's Bank of China. The remaining RMB244 million (equivalent to approximately HK$301 million) of bank borrowings were fixed-rate debts with annual interest rates at 5.31% to 7.54%.

As at 31 December 2011, 85% (2010: 92%) of the Group's total bank borrowings was denominated in HK dollars, 15% (2010: 8%) was denominated in Renminbi.

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of approximately 1,000 employees at the end of the year, of whom approximately 190 were management personnel and 400 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 2011, restricted bank balance of approximately HK$3 million was pledged against notes payable of approximately HK$9.5 million.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Rumin, aged 62, 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 (天津港保稅區管理委員會) 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)"). 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 26 years.

Mr. WU Xuemin, aged 58, 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. On 1 January 2011, he was appointed as a Non-Executive Director of Dynasty Fine Wines Group Limited (Stock Code: 828). Mr. Wu is the Vice Chairman 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. 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 59, was appointed as an Executive Director of the Company in July 2006 and Deputy General Manager of the Company in September 2008. On 1 September 2009, he was appointed as an Executive Director of Tianjin Port Development Holdings Limited (Stock Code: 3382). Mr. Dai is a senior economist. He is also a Director and Deputy General Manager of Tsinlien Group Company Limited. Mr. Dai 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 a Non-Executive Director of Binhai Investment Company Limited (Stock Code: 8035). Mr. Dai has solid experience in management for over 23 years.

Mr. BAI Zhisheng, aged 56, 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 13 years.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Cont'd)

Mr. ZHANG Wenli, aged 57, 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 21 years.

Dr. GONG Jing, aged 47, was appointed as an Executive Director of the Company on 1 April 2009. Dr. Gong is a senior engineer and possesses a doctoral degree. He graduated from the Faculty of Precision Instrumentation of Tianjin University in 1986, majoring in Photo-Electronic Engineering and obtained a Master's Degree from Tianjin University in 1989. In September 2000, he completed a postgraduate course at the Department of Finance of Nankai University. Dr. Gong obtained the senior professional manager qualification from China Enterprise Confederation and China Enterprise Directors Association in 2008. In June 2009, he obtained a Doctoral Degree in Technology Economic Administration at the School of Administration of Tianjin University. Dr. Gong acted as the chief officer and deputy director of the Project Design Department of the Optical Fiber Instrument Factory of Tianjin Optical Electrical Group Co., Ltd. and the department head of the Foreign Economic and Business Department of Tianjin Optical Electrical Group Co., Ltd. from April 1989 to August 1993; the deputy general manager of Tianma Entertainment Co., Ltd. from August 1993 to May 1994; the manager of Tianma Technology and Business Company from May to August 1994; the deputy head of the Department of Foreign Economic and Business of The Administrative Committee of Tianjin Hi-Tech Industry Park from August 1994 to April 1996; the secretary of the vice mayor and the standing committee member of the Tianjin Municipal Government from April 1996 to March 1998; the secretary of the vice minister of Ministry of Information Industry from March to July 1998; the assistant to chief officer of The Administrative Committee of Tianjin Hi-Tech Industry Park from July 1998 to April 2006. Dr. Gong also acted as the general manager of Investment and Development Department of Tsinlien Group Company Limited from October 2001 to January 2005. He has been the executive director and deputy general manager of Tianjin Hi-Tech Holding Group Co., Ltd. from April 2006 to November 2009. Since November 2009, he acts as an executive director and general manager of Tianjin Hi-Tech Holding Group Co., Ltd. He is also a non-executive director of Tianjin Tianlian Public Utilities Limited (Stock Code: 8290).

Mr. WANG Zhiyong, aged 39, 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 the general manger 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"). Mr. Wang was formerly the deputy general manager and the manager of the Finance Department of 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

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, Edward, aged 62, 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 Ching Hing (Holdings) Limited (now known as Bao Yuan Holdings Limited) until 25 July 2007, a non-executive director in Taifook Securities Group Limited (now known as Haitong International Securities Group Limited) until 1 October 2007 and an independent non-executive director in Ping An Insurance (Group) Company of China, Ltd. until 3 June 2009, all of these companies are listed on the Stock Exchange.

Dr. CHAN Ching Har, Eliza, *JP, BBS, LL.D. (Hon),* aged 55, 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 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 and a Governor of The Canadian Chamber of Commerce in Hong Kong. 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 and Council Member of The Hong Kong University of Science and Technology. She is a Member of the Board of the Hong Kong Science and Technology Park Corporation and a Non-Executive Director of China Aerospace International Holdings Limited (Stock Code: 31), a company whose shares are currently listed on the Stock Exchange. Dr. Chan has been appointed as Justice of the Peace (JP) and awarded the honour of Bronze Bauhinia Star (BBS) by the Chief Executive of the Hong Kong Special Administrative Region and conferred the Honorary Doctor of Laws (LL.D. (Hon)) degree by the University of Victoria in Canada.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP,* aged 84, 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.

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, ASA,* aged 61, 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 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 an associate member of CPA Australia and The Taxation Institute of Hong Kong. Mr. Mak has over 33 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 SQ and SD 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Ms. NG Yi Kum, Estella, aged 54, 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 Ever Fortune International Holdings Limited (Stock Code: 875), all companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. TUEN Kong, Simon, aged 49, was appointed as the Chief Financial Officer and Company Secretary of the Company on 27 October 2009 and Deputy General Manager of the Company on 15 November 2011. Mr. Tuen graduated from the Hong Kong Polytechnic University with a Master's 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 a 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.

Mr. ZHAO Wei, aged 43, Assistant to General Manager of the Company. 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 finance 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.

Dr. WU Gang, aged 47, Assistant to General Manager of the Company. Dr. Wu graduated from the Tianjin University of Technology with a Bachelor's Degree in Corporate Management in 1988. He completed a Postgraduate Programme of International Trade and later obtained a Doctoral Degree in Management in the Tianjin University of Finance and Economics in 2001 and 2008, respectively. Dr. Wu has extensive experience in corporate management and capital market operations and has been involved in successful initial public offering and refinancing transactions. Prior to joining the Company, he was the deputy head in Tianjin Leader Group Limited (天津立達集團有限公司) and secretary to the board and deputy general manager in Tianjin Jinbin Development Co., Ltd. as well as the chairman and general manager of 天津津濱雅都置業發展有限公司 and 天津津濱科技工業園投資有限公司.

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") 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 throughout the year, except for the deviation from code provision A.1.1 of the CG Code which stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year, three regular board meetings were held. As business operations of the Company were under the management and supervision of the executive directors who had from time to time held meetings to resolve all material business or management issues and therefore certain Board consents were obtained through the circulation of written resolutions.

The Board of Directors

The overall management of the Company is vested in the board of directors (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.

Corporate Governance Report

The Board of Directors (Cont'd)

As at 31 December 2011, the Board comprises fourteen members, consisting of nine executive directors and five non-executive directors of whom three 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	
Dr. Gong Jing	
Mr. Wang Zhiyong	
Dr. Wang Jiandong	(resigned on 31 December 2011)
Mr. Sun Zengyin	(resigned on 31 December 2011)

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

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 19 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.

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), and shall then be eligible for re-election immediately following his or her appointment.

Corporate Governance Report

The Board of Directors (Cont'd)

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

As permitted by the Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance 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.

In 2011, the Board held three 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 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		3/3
Mr. Wu Xuemin		3/3
Mr. Dai Yan		3/3
Mr. Bai Zhisheng		3/3
Mr. Zhang Wenli		2/3
Dr. Gong Jing		0/3
Mr. Wang Zhiyong		3/3
Dr. Wang Jiandong	(resigned on 31 December 2011)	3/3
Mr. Sun Zengyin	(resigned on 31 December 2011)	0/3
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		3/3
Dr, Chan Ching Har, Eliza		3/3
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		3/3
Mr. Mak Kwai Wing, Alexander		3/3
Ms. Ng Yi Kum, Estella		3/3

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 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

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.

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 CG Code.

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

In 2011, the Remuneration Committee held four meetings. 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	3/4
Mr. Wu Xuemin	4/4

The Remuneration Committee also held one meeting on 13 January 2012. At the meeting, the bonuses for the Company's directors, senior management and employees for the year ended 31 December 2011 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 2011 are set out in Note 12 and Note 33 to the financial statements respectively.

Corporate Governance Report

Audit Committee

The Audit Committee currently consists of three independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander. 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 CG Code.

Set out below is a summary of work performed by the Audit Committee in 2011:

— reviewed the financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011;

— reviewed internal control matters with the external consultant;

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

— considered 2011 audit fees and audit work.

The Audit Committee held two meetings in 2011. 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	1/2

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 CG Code.

During the year, the Investment Committee dealt with a discloseable and connected transaction of the Company by way of resolutions in writing. Details of the transaction shall be referred to the Company's announcement dated 11 October 2011 and circular to the shareholders dated 11 November 2011.

Corporate Governance Report

Nomination Committee and Appointment of Directors

A Nomination Committee was established by the Board 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 was adopted with reference to the CG Code.

The Nomination Committee held a meeting on 29 March 2012. 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.

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 Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. No new director was appointed during the year.

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 director(s) is 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 2011.

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 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 2011. 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 for the year 2011 and also reviewed the 2011 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$3,500,000 and non-audit services approximately HK$1,600,000.

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 function to assess the effectiveness of the system of internal control of the Company. 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 19 March 2012, RSM Nelson Wheeler reported their review work done for the year ended 31 December 2011 in accordance with the risk-based audit plan. On 29 March 2012, the Board together with the senior management have reviewed, considered and discussed all the findings relating 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.

Corporate Governance Report

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. Detailed procedures for conducting a poll has been explained by the Chairman at general meetings.

The general meetings provide a useful forum for the shareholders of the Company to express their comments and views and the shareholders are encouraged to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, directors, board committees' members and external auditor, where appropriate, are available to answer questions at the meetings.

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 41 to 42 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 2011.

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 2011 are set out in the consolidated income statement on pages 43 to 44.

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 2011.

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 122.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 34 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$1,200,000 (2010: HK$150,000).

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 17 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 32 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2011 are set out in Note 35 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.

(i) On 21 November 2006, the Company entered into a facility agreement (the "2006 Facility Agreement") with a syndicate of lenders (the "Lenders"), pursuant to which a term loan facility of up to HK$860 million and a revolving/term loan facility of up to HK$1,140 million totalling HK$2,000 million (the "Facility") was made available to the Company by the Lenders with a term of 60 months from the date of the 2006 Facility Agreement.

Pursuant to the 2006 Facility Agreement, it would be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceased to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceased to be under the direct or indirect management control of Tsinlien Group Company Limited ("Tsinlien").

If any of the abovementioned events of default occurred, it would confer on the Lenders the right to cancel the Facility and declare all outstanding borrowings and interest as immediately due and payable on demand.

The Facility had been repaid in full on 29 July 2011.

(ii) On 18 February 2011, the Company entered into a facility agreement (the "2011 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 2011 Facility Agreement.

Pursuant to the 2011 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.

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 2011.

Report of the Directors

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
Dr. Gong Jing
Mr. Wang Zhiyong
Dr. Wang Jiandong (resigned on 31 December 2011)
Mr. Sun Zengyin (resigned on 31 December 2011)

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

In accordance with Article 101 of the Company's Articles of Association, Mr. Wu Xuemin, Mr. Dai Yan, Mr. Bai Zhisheng and Dr. Gong Jing will retire from office by rotation. At the forthcoming annual general meeting of the Company, Mr. Wu Xuemin, Mr. Dai Yan and Mr. Bai Zhisheng, being eligible, will offer themselves for re-election while Dr. Gong Jing will not offer himself 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 19.

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.

Report of the Directors

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.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2011, 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	3,800,000	0.36%
Mr. Wu Xuemin	5,000,000	0.47%
Mr. Dai Yan	5,300,000	0.50%
Mr. Bai Zhisheng	1,100,000	0.10%
Mr. Zhang Wenli	1,100,000	0.10%
Dr. Gong Jing	800,000	0.07%
Mr. Wang Zhiyong	3,700,000	0.35%
Mr. Cheung Wing Yui, Edward	900,000	0.08%
Dr. Chan Ching Har, Eliza	400,000	0.04%
Dr. Cheng Hon Kwan	900,000	0.08%
Mr. Mak Kwai Wing, Alexander	400,000	0.04%
Ms. Ng Yi Kum, Estella	400,000	0.04%

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.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES (Cont'd)

(ii) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of shares held	Approximate percentage of interests to the issued share capital
Mr. Wu Xuemin	Tianjin Port	Family interest	Interest of spouse	10,000	0.00%

(iii) 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	2,300,000	0.04%
Mr. Dai Yan	Tianjin Port	Personal interest	Beneficial owner	1,100,000	0.02%
Mr. Bai Zhisheng	Dynasty	Personal interest	Beneficial owner	2,300,000	0.18%

Save as disclosed above, as at 31 December 2011, 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 60,362,012 shares, representing approximately 5.65% 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.

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:

			Number of share options						
				During the year					
	Date of Grant	Exercise Price per share HK$	As at 1 January 2011	Granted (note 1)	Exercised	Lapsed	Cancelled	As at 31 December 2011	Exercise Period
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
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
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
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
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
Gong Jing	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 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
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
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
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
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
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
Wang Jiandong (note 2)	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 2)	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
Zheng Daoquan (note 3)	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
Continuous contract employees	16/12/2009	5.75	1,400,000	—	—	500,000 (note 4)	—	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
Total			18,600,000	16,800,000	—	2,800,000	—	32,600,000	

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

notes:

1. Pursuant to the Share Option Scheme, a total of 16,800,000 share options were granted on 7 November 2011 and accepted by the grantees on 11 November 2011, with an exercise price of HK$3.56 and are exercisable from 11 November 2011 to 24 May 2017. The closing price of the shares immediately before the date on which these share options were granted was HK$3.56.

2. The share options of Dr. Wang Jiandong and Mr. Sun Zengyin will lapse on 31 March 2012 due to their resignation as director of the Company on 31 December 2011.

3. The share options of Mr. Zheng Daoquan lapsed on 31 March 2011 due to his resignation as director of the Company on 31 December 2010.

4. A total of 500,000 share options lapsed during the year following the retirement of a continuous contract employee.

Details of the value of options granted under the Share Option Scheme during the year ended 31 December 2011 and the accounting policy adopted for the options are set out in Notes 33 and 2(q) 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 2011, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, who had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of interests to the issued share capital
Tsinlien	1	Interest of controlled corporation	587,321,143 (L)	55.02%
	2	Interest of controlled corporation	220,298,109 (S)	20.64%
Blackrock, Inc.	3	Interest of controlled corporation	140,957,611 (L)	13.20%
		Interest of controlled corporation	577,811 (S)	0.05%
Humphreys Estate (Strawberry Houses) Limited ("Humphreys Estate")	4	Directly beneficially owned	53,426,000 (L)	5.00%
Tomson Group Limited ("Tomson Group")	5	Interest of controlled corporation	53,426,000 (L)	5.00%
Ms. Hsu Feng	5	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Albert Tong	5	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Tong Chi Kar, Charles	5	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. As at 31 December 2011, Tsinlien directly held 4,538,000 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 12,744,000 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.

2. 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.

3. Based on a corporate substantial shareholder notice, Blackrock, Inc. held a long position of 140,330,008 shares and a short position of 221,908 shares of the Company as at 29 March 2012.

4. 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.

5. 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.

Save as disclosed above, as at 31 December 2011, 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.

Report of the Directors

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	87%

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 TRANSACTION

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

Acquisition of 21.83% equity interest in Tianjin Tianduan Press Co., Ltd.

On 11 October 2011, 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 capital injection 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") and Mr. Wu Ri, pursuant to which the parties agreed to inject an aggregate amount of approximately RMB389,016,000 into Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("Tianjin Tianduan"), of which Tianjin Tai Kang and Mr. Wu Ri agreed to inject a cash amount of RMB135,000,000 and RMB83,833,000 respectively and Tianjin Benefo agreed to inject land and properties with a valuated aggregate amount of approximately RMB170,183,000. After completion of the transaction, Tianjin Tai Kang would be interested in 21.83% equity interest in the enlarged registered capital of Tianjin Tianduan. As Tianjin Benefo held 17.26% equity interest in Tianjin Tai Kang as at the date of the transaction and was therefore a connected person of the Company under the Listing Rules, this transaction constituted a discloseable and connected transaction to the Company and was completed on 11 November 2011.

Details of the above transaction may be referred to the announcement made by the Company dated 11 October 2011 and a circular to the shareholders dated 11 November 2011.

Report of the Directors

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011, except for the deviations as disclosed in the Corporate Governance Report as set out on page 20.

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

29 March 2012, Hong Kong

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

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 43 to 121, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 audit opinion.

Independent Auditor's Report

OPINION

In our opinion, 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 2011, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations:			
Revenue	5	**3,517,032**	3,223,034
Cost of sales		**(3,242,249)**	(2,972,789)
Gross profit		**274,783**	250,245
Other income	6	**132,885**	41,005
Other gains, net	7	**54,678**	74,392
General and administrative expenses		**(377,582)**	(328,051)
Other operating expenses		**(36,238)**	(33,536)
Finance costs	13	**(33,704)**	(19,170)
Share of profit (losses) of			
Associates	21	**603,451**	551,165
Jointly controlled entities	22	**(1,088)**	(19,522)
Profit before tax before impairment loss on property, plant and equipment		**617,185**	516,528
Tax expense	14	**(109,662)**	(53,667)
Profit for the year from continuing operations before impairment loss on property, plant and equipment		**507,523**	462,861
Impairment loss on property, plant and equipment	10	**–**	(829,476)
Profit (loss) for the year from continuing operations after impairment loss on property, plant and equipment		**507,523**	(366,615)
Operation of toll roads:			
Gain on disposal of interest in a subsidiary	8(a)	**–**	236,415
Gain on disposal of interest in an associate	8(b)	**–**	9,907
Loss for the year	8(a)	**–**	(48,328)
Port services:			
Gain on deemed disposal of interest in a subsidiary	9	**–**	620,111
Profit for the year from operation of toll roads and port services		**–**	818,105
Profit for the year	11	**507,523**	451,490
Attributable to:			
Owners of the Company		**437,195**	474,172
Non-controlling interests		**70,328**	(22,682)
		507,523	451,490

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK cents	2010 HK cents
Earnings (loss) per share	16		
Basic:			
From continuing operations before impairment loss on property, plant and equipment		**40.96**	38.15
From continuing operations after impairment loss on property, plant and equipment		**40.96**	(32.82)
From operation of toll roads and port services		**—**	77.24
		40.96	44.42
Diluted:			
From continuing operations before impairment loss on property, plant and equipment		**40.93**	38.15
From continuing operations after impairment loss on property, plant and equipment		**40.93**	(32.82)
From operation of toll roads and port services		**—**	77.24
		40.93	44.42

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit for the year		**507,523**	451,490
Other comprehensive income (losses):			
Currency translation differences			
— the Group		**229,860**	157,675
— associates		**171,564**	88,542
— jointly controlled entities		**810**	825
Release of exchange reserve upon completion of disposal of interest in a subsidiary	8(a)	**—**	(147,738)
Release of exchange reserve and available-for-sale revaluation reserve upon completion of deemed disposal of interest in a subsidiary	9	**—**	(367,642)
Change in fair value of available-for-sale financial assets	23	**(89,314)**	(133,971)
Deferred taxation on fair value change of available-for-sale financial assets		**—**	(8,625)
Reclassification adjustment for accumulated gain upon disposal of available-for-sale financial assets		**(34,425)**	—
Release of deferred taxation relating to the abovementioned reclassification adjustment		**9,020**	—
Share of other comprehensive (loss) income of an associate — available-for-sale revaluation reserve		**(7,910)**	3,009
Total comprehensive income for the year		**787,128**	43,565
Attributable to:			
Owners of the Company		**689,783**	41,093
Non-controlling interests		**97,345**	2,472
		787,128	43,565

Consolidated Balance Sheet

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,685,553**	1,111,473
Land use rights	18	**278,151**	51,970
Investment properties	19	**134,335**	—
Interest in associates	21	**5,239,421**	4,744,622
Interest in jointly controlled entities	22	**16,660**	16,938
Deferred tax assets	36	**100,051**	133,379
Available-for-sale financial assets	23	**208,595**	464,768
Deposit paid for acquisition of property, plant and equipment		**57,429**	—
		7,720,195	6,523,150
Current assets			
Inventories	24	**3,178**	5,005
Amounts due from jointly controlled entities	25	**14,580**	25,645
Amount due from ultimate holding company	25	**1,198**	1,066
Amounts due from related companies	26	**15,740**	42,361
Amount due from an investee company	26	**—**	16,833
Trade receivables	27	**593,999**	717,302
Other receivables, deposits and prepayments	27	**305,246**	1,596,762
Available-for-sale financial assets	23	**36,991**	—
Financial assets at fair value through profit or loss	28	**338,708**	393,764
Entrusted deposits	29	**1,638,768**	378,912
Restricted bank balance	30	**3,083**	10,576
Time deposits with maturity over three months	30	**809,174**	417,321
Cash and cash equivalents	30	**2,950,873**	2,521,111
		6,711,538	6,126,658
Assets held for sale	31	**—**	523,859
		6,711,538	6,650,517
Total assets		**14,431,733**	13,173,667
EQUITY			
Owners of the Company			
Share capital	32	**106,747**	106,747
Reserves	34	**9,482,322**	8,774,509
		9,589,069	8,881,256
Non-controlling interests		**592,936**	525,477
Total equity		**10,182,005**	9,406,733

Consolidated Balance Sheet

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	35	**1,987,500**	—
Deferred tax liabilities	36	**76,056**	8,798
		2,063,556	8,798
Current liabilities			
Trade payables	37	**379,035**	273,613
Notes payable		**9,458**	35,253
Other payables and accruals	38	**1,069,121**	982,720
Amounts due to related companies	26	**194,836**	78,884
Amounts due to non-controlling interests	26	**97,489**	42,127
Bank borrowings	35	**362,514**	2,167,735
Current tax liabilities		**73,719**	101,017
		2,186,172	3,681,349
Liabilities directly associated with assets classified as held for sale	31	**—**	76,787
		2,186,172	3,758,136
Total liabilities		**4,249,728**	3,766,934
Total equity and liabilities		**14,431,733**	13,173,667
Net current assets		**4,525,366**	2,892,381
Total assets less current liabilities		**12,245,561**	9,415,531

Wu Xuemin
Director

Dai Yan
Director

Balance Sheet

As at 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**2,685**	3,286
Investment properties	19	**134,335**	—
Interest in subsidiaries	20	**3,823,031**	3,643,334
Advances to subsidiaries	20	**4,997,387**	4,393,702
		8,957,438	8,040,322
Current assets			
Amount due from ultimate holding company	25	**2,017**	1,585
Other receivables, deposits and prepayments	27	**10,930**	2,732
Entrusted deposits	29	**1,135,514**	—
Cash and cash equivalents	30	**617,459**	467,982
		1,765,920	472,299
Assets held for sale	31(b)	**—**	166,173
		1,765,920	638,472
Total assets		**10,723,358**	8,678,794
EQUITY			
Owners of the Company			
Share capital	32	**106,747**	106,747
Reserves	34	**6,822,819**	6,250,712
Total equity		**6,929,566**	6,357,459
LIABILITIES			
Non-current liabilities			
Bank borrowings	35	**1,987,500**	—
Amounts due to subsidiaries	25	**1,758,768**	294,660
		3,746,268	294,660
Current liabilities			
Bank borrowings	35	**—**	1,998,523
Other payables and accruals		**47,524**	28,152
		47,524	2,026,675
Total liabilities		**3,793,792**	2,321,335
Total equity and liabilities		**10,723,358**	8,678,794
Net current assets (liabilities)		**1,718,396**	(1,388,203)
Total assets less current liabilities		**10,675,834**	6,652,119

Wu Xuemin
Director

Dai Yan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Owners of the Company					
	Notes	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 2010		106,747	7,667,264	1,060,370	8,834,381	1,941,965	10,776,346
Profit for the year		—	—	474,172	474,172	(22,682)	451,490
Other comprehensive income (losses):							
Currency translation differences							
— the Group		—	132,521	—	132,521	25,154	157,675
— associates		—	88,542	—	88,542	—	88,542
— jointly controlled entities		—	825	—	825	—	825
Release of reserves upon completion of disposal of interest in a subsidiary	8(a)	—	(147,738)	—	(147,738)	—	(147,738)
Release of reserves upon completion of deemed disposal of interest in a subsidiary	9	—	(367,642)	—	(367,642)	—	(367,642)
Change in fair value of available-for-sale financial assets	23	—	(133,971)	—	(133,971)	—	(133,971)
Deferred taxation on fair value change of available-for-sale financial assets		—	(8,625)	—	(8,625)	—	(8,625)
Share of other comprehensive income of an associate — available-for-sale revaluation reserve		—	3,009	—	3,009	—	3,009
Total comprehensive (losses) income for the year		—	(433,079)	474,172	41,093	2,472	43,565
Share-based payments							
— the Group		—	545	—	545	—	545
— associates		—	5,237	—	5,237	—	5,237
Capital contributions from non-controlling interests		—	—	—	—	7,051	7,051
Transfer of reserves and release of non-controlling interests upon completion of disposal of interest in a subsidiary	8(a)	—	(18,314)	18,314	—	(211,247)	(211,247)
Transfer of reserves and release of non-controlling interests upon completion of deemed disposal of interest in a subsidiary	9	—	(238,181)	238,181	—	(1,176,077)	(1,176,077)
Dividend		—	—	—	—	(38,687)	(38,687)
Transfer between reserves		—	31,323	(31,323)	—	—	—
Transfer upon lapse of share options		—	(6,807)	6,807	—	—	—
		—	(226,197)	231,979	5,782	(1,418,960)	(1,413,178)
At 31 December 2010		106,747	7,007,988	1,766,521	8,881,256	525,477	9,406,733

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Owners of the Company					
	Notes	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 (losses):							
Currency translation differences							
— the Group		—	202,843	—	202,843	27,017	229,860
— associates		—	171,564	—	171,564	—	171,564
— jointly controlled entities		—	810	—	810	—	810
Change in fair value of available-for-sale financial assets	23	—	(89,314)	—	(89,314)	—	(89,314)
Reclassification adjustment for the accumulated gain upon disposal of available-for-sale financial assets	23	—	(34,425)	—	(34,425)	—	(34,425)
Release of deferred taxation relating to the abovementioned reclassification adjustment		—	9,020	—	9,020	—	9,020
Share of other comprehensive loss of an associate — available-for-sale revaluation reserve		—	(7,910)	—	(7,910)	—	(7,910)
Total comprehensive income (losses) 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

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flow from operating activities			
Cash generated from operations	41	**488,510**	464,374
Interest paid		**(26,727)**	(17,559)
PRC income tax paid		**(106,078)**	(17,122)
Net cash from operating activities		**355,705**	429,693
Cash flow used in investing activities			
Interest received		**100,505**	35,682
Purchase of property, plant and equipment		**(548,987)**	(247,838)
Purchase of land use right		**(13)**	(6,159)
Proceeds from disposal of property, plant and equipment		**2,146**	5,000
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, net of capital gain tax		**140,397**	—
Acquisition of interest in an associate	21(b)	**(165,222)**	—
Disposal of interest in a subsidiary	8(a)	**—**	(176,190)
Deemed disposal of interest in a subsidiary	9	**—**	(477,720)
(Increase) decrease in time deposits with maturity over three months		**(333,904)**	39,898
Release of restricted bank balances		**7,831**	16,639
Addition of available-for-sale financial assets		**(7,280)**	(34,562)
Repayment from (advance to) jointly controlled entities		**12,048**	(25,645)
Repayment from an investee company		**17,258**	194,238
Dividends received from associates		**435,361**	337,357
Addition of entrusted deposits		**(3,977,068)**	(1,088,594)
Proceeds from redemption of entrusted deposits		**2,774,041**	748,733
Net cash used in investing activities		**(211,395)**	(679,161)
Cash flow from financing activities			
Repayment of bank borrowings		**(2,248,675)**	—
Drawdown of bank borrowings		**2,411,398**	161,290
Contributions from non-controlling interests		**21,181**	7,051
Drawdown of loans from related parties		**112,011**	—
Repayment of amounts due to related companies		**(119,678)**	(117,509)
Dividends paid to non-controlling interests		**—**	(38,687)
Net cash from financing activities		**176,237**	12,145
Net increase (decrease) in cash and cash equivalents		**320,547**	(237,323)
Cash and cash equivalents at beginning of the year		**2,523,326**	2,723,484
Effect of foreign exchange rate changes		**107,000**	37,165
Cash and cash equivalents at end of the year		**2,950,873**	2,523,326
Analysis:			
Cash and cash equivalents	30	**2,950,873**	2,521,111
Cash and cash equivalents classified as assets held for sale		**—**	2,215
		2,950,873	2,523,326

Notes to the Consolidated Financial Statements

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, heat and thermal power; (ii) hotels; and (iii) 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.

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 all 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.

Adoption of amendments to existing standards and interpretation

In 2011, the Group adopted new or revised amendments and interpretation of HKFRSs ("new or revised HKFRSs") below:

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)—Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)—Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new or revised HKFRSs did not result in significant impact on the Group's results and financial position or significant changes in the Group's accounting policies and presentation of the consolidated financial statements.

Notes to the Consolidated Financial Statements

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

Adoption of amendments to existing standards and interpretation (Cont'd)

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)—Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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:

- HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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.

Notes to the Consolidated Financial Statements

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

Adoption of amendments to existing standards and interpretation (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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).

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*. 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*. 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 accounting.

Notes to the Consolidated Financial Statements

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

Adoption of amendments to existing standards and interpretation (Cont'd)

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

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.

These five standards 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 these five standards will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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 HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and 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.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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.

Notes to the Consolidated Financial Statements

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

Adoption of amendments to existing standards and interpretation (Cont'd)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Cont'd)

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 the future accounting periods.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, 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 purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors are in the process of assessing the impact of the application of the amendments to HKAS 12 on the consolidated financial statements.

The Group has already commenced an assessment of the impact of these new or revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of performance and financial position.

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.

Notes to the Consolidated Financial Statements

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 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.

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) 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

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(ii) 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 profits 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.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iii) 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.

(iv) 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.

(v) 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).

(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 board of directors that makes strategic decisions.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(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.

(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 or sold 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.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(iii) Group companies (Cont'd)

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.

(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(g)).

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.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(e) Land use rights (Cont'd)

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.

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the operating lease or when there is impairment, it is recognized as expenses immediately.

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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) Impairment of non-financial assets

Assets that do not have an indefinite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating unit, "CGUs"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(h) Non-current assets or disposal groups held for sale

Non-current assets or disposal groups is classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable and they are available for immediate sale in its present condition. They are stated at the lower of their previous carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(h) Non-current assets or disposal groups held for sale (Cont'd)

When the sale transaction is no longer highly probable, the Group will cease to classify the asset or disposal groups as held for sale and reclassify to the corresponding category at the balance sheet at the lower of (i) their previous carrying amount, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale, and (ii) the recoverable amount at the date of the subsequent decision not to sell.

(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.

(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 categorised 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.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(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, amounts due from jointly controlled entities, amount due from ultimate holding company, advances to subsidiaries, amounts due from related companies, amount due from an investee company, 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.

(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.

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.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(j) Inventories

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

(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.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(k) Impairment of financial assets (Cont'd)

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.

(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 payable and amounts due to subsidiaries/related companies/non-controlling interests

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 expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Notes to the Consolidated Financial Statements

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

Significant accounting policies (Cont'd)

(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.

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.

(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

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 utilisation.

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

(iv) Rental and management fee 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.

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

Significant accounting policies (Cont'd)

(s) Borrowing costs

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

(t) 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.

(u) 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.

(v) 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.

Notes to the Consolidated Financial Statements

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.

(a) Market risk

(i) Foreign exchange risk

The principal subsidiaries of the Group operate in the PRC with almost all of the transactions settled in Renminbi and did not have significant exposure to foreign exchange risks during the year.

The actual foreign exchange risk faced by the Group therefore primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, 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").

At 31 December 2011, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2010: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by approximately HK$44,093,000 (2010: HK$24,239,000) as a result of the translation of those 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 financial assets at fair value through profit or loss and available-for-sale financial assets specified in Notes 28 and 23 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 such as money market funds. If the prices of the respective equity securities had been 10% higher/lower, the Group's profit for the year would increase/decrease by HK$42,783,000.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk

Other than the entrusted deposits and bank balances and deposits specified in Notes 29 and 30, 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 carry fixed contractual rates and therefore expose the Group to fair value interest rate risk. Management believes that the fixed contractual rates deposits provide the Group with a steady income stream and are consistent with the Group's treasury management policy.

The Group's interest rate risk arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 35. 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$2,049,151,000 at variable rates and HK$300,863,000 at fixed rates (2010: HK$2,057,278,000 at variable rates and HK$110,457,000 at fixed rates).

If interest rates had been 50 basis points (2010: 100 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$8,298,000 (2010: HK$16,688,000); if interest rates had been 50 basis points (2010: 100 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$229,000 (2010: HK$1,293,000).

If interest rates had been 25 basis points (2010: 50 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 would increase/decrease by HK$1,631,000 (2010: HK$2,495,000); if interest rates had been 25 basis points (2010: 50 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$4,207,000 (2010: HK$9,174,000).

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

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(b) Credit and counterparty risk

Credit risk mainly arises from bank 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, an investee company, other receivables and customers (including outstanding trade receivables balance). The carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk as at 31 December 2011.

A significant portion of the Group's bank deposits and entrusted deposits are placed with state-owned banks and other financial institutions. The Group had a significant concentration of credit risk at 31 December 2011 because it had placed entrusted deposits approximately HK$1,639 million (2010: approximately HK$379 million) with two (2010: one) state-owned financial institutions based in Tianjin, PRC. 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.

As at 31 December 2011, over 79% (2010: 51%) 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, other receivables amounted to HK$123,305,000 (2010: HK$1,408,922,000) were due from Tianjin Eastern Outer Ring Road Co., Ltd. for the consideration receivable for disposal of Jinzheng (as defined in Note 5). For trade receivables, around half (2010: over 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.

(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 2011, the Group had bank and cash balance of approximately HK$3,763 million and bank borrowings of approximately HK$2,350 million.

Notes to the Consolidated Financial Statements

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 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which included principal and interest.

	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 2011				
The Group				
Bank borrowings	**414,222**	**34,000**	**2,019,562**	**2,467,784**
Amounts due to related companies and non-controlling interests	**292,325**	**—**	**—**	**292,325**
Trade payables, notes payable 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**
At 31 December 2010				
The Group				
Bank borrowings	2,185,998	—	—	2,185,998
Amounts due to related companies and non-controlling interests	121,011	—	—	121,011
Trade payables, notes payable and other payables	543,281	—	—	543,281
	2,850,290	—	—	2,850,290
The Company				
Bank borrowings	2,012,401	—	—	2,012,401
Amounts due to subsidiaries	—	294,660	—	294,660
Other payables	678	—	—	678
	2,013,079	294,660	—	2,307,739

Notes to the Consolidated Financial Statements

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 2011, the Group's policy, which was unchanged from 2010, was to maintain a net gearing ratio of not more than 40%.

As of the end of 2011 and 2010, the Group had a net cash position.

	2011 **HK$'000**	2010 HK$'000
Total cash and cash deposits	**3,763,130**	2,951,223
Less: total bank borrowings	**2,350,014**	2,167,735
Net cash	**1,413,116**	783,488
Shareholders' funds	**9,589,069**	8,881,256
Net gearing position	**Net cash**	Net cash

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

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**6,229,819**	5,597,712
Available-for-sale financial assets	**245,586**	464,768
Financial assets at fair value through profit or loss	**338,708**	393,764
	6,814,113	6,456,244
Financial liabilities		
Amortized cost	**3,185,253**	2,832,027

Notes to the Consolidated Financial Statements

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 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 cash and bank deposits, trade receivables, other receivables, entrusted deposits, trade payables, notes payable, other payables, accruals, current bank borrowings and balances with jointly controlled entities, ultimate holding company, related companies, non-controlling interest and an investee company 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

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 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**
At 31 December 2010				
Available-for-sale financial assets	282,827	—	181,941	464,768
Financial assets at fair value through profit or loss	62,523	331,241	—	393,764

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

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value estimation (Cont'd)

The following table presents the changes in level 3 instruments for the year ended 31 December 2011 and 2010:

	2011 HK$'000	2010 HK$'000
Available-for-sale financial assets		
At 1 January	**181,941**	159,315
Additions	**7,280**	34,652
Disposal through deemed disposal of interest in a subsidiary	**—**	(17,461)
Sales proceed received, net of capital gain tax	**(140,397)**	—
Gain on disposal recognized in the consolidated income statement	**30,872**	—
Reclassification adjustment on disposal of available-for-sale financial assets	**(34,425)**	—
Exchange difference	**6,802**	5,435
At 31 December	**52,073**	181,941
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 previously estimated, or it will write off or write down technically obsolete or non-strategical assets that have been abandoned or disposed of.

In 2010, in view of a change in government supplemental income policy relating to the Group's utility services in the Tianjin Economic and Technological Development Area ("TEDA"), management had critically reviewed the recoverable value of the Group's property, plant and equipment which are being used for rendering utility services. The review was based primarily on a discounted cash flow projection which involved factors and assumptions such as discount rate at 12% and growth rates ranging from 4% to 8% which are inherently subjective in nature. On the basis of that review, an impairment loss of approximately HK$753.5 million was recognized against the Group's property, plant and equipment for the year ended 31 December 2010.

Notes to the Consolidated Financial Statements

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

(a) Property, plant and equipment (Cont'd)

Management continues to assess the recoverability of the Group's property, plant and equipment based on their current and expected returns as well as the TEDA economic data. Management has concluded that no further impairment loss needs to be recognized for the year ended 31 December 2011.

(b) Fair value of investment properties

Investment properties are carried in the consolidated balance sheet as at 31 December 2011 at their fair value, details of which are disclosed in Note 19. 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, favorable or unfavorable 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) Interest in associate

The Group's interests in associates are carried at share of net assets of associate together with premium on their acquisition. As at 31 December 2011, the carrying value of the Group's interest in a major listed associate, Tianjin Port Development Holdings Limited, exceeded the market value of the Group's holding therein amounting to HK$1,901 million. Management has assessed the underlying value 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 this interest.

(d) Recoverability of deferred tax assets

As at 31 December 2011, deferred tax assets of approximately HK$100,051,000 (2010: approximately HK$133,379,000) 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 36. 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. The Group reversed approximately HK$31,000,000 for the year ended 31 December 2011 after such re-assessment.

(e) 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.

Notes to the Consolidated Financial Statements

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 five 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 operations in each of the Group's reportable segments.

(a) Utilities

This segment derives revenue from the 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 Fine Wines Group Limited ("Dynasty"), 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 Development Holdings Limited ("Tianjin Port"), which provides port services in Tianjin.

(e) Elevators and escalators

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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

For the year ended 31 December 2011

	Continuing operations					
	Utilities (note (i)) HK$'000	Hotels HK$'000	Winery HK$'000	Port services (note (iii)) HK$'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 profits 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

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2010

	Continuing operations							
	Utilities (note (i)) HK$'000	Hotels HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Sub-total HK$'000	Operation of toll roads (note (ii)) HK$'000	Total HK$'000
Segment revenue	3,137,407	85,627	—	—	—	3,223,034	—	3,223,034
Operating profit (loss) before interest	45,848	(21,073)	—	—	—	24,775	(49,562)	(24,787)
Interest income	19,077	21	—	—	—	19,098	2,766	21,864
Impairment loss on property, plant and equipment	(753,456)	(55,322)	—	—	—	(808,778)	—	(808,778)
Finance costs	(5,694)	(1,633)	—	—	—	(7,327)	—	(7,327)
Share of profits of associates	—	—	71,178	110,336	359,321	540,835	—	540,835
Profit (loss) before tax	(694,225)	(78,007)	71,178	110,336	359,321	(231,397)	(46,796)	(278,193)
Tax (expense) credit	(56,393)	5,673	—	—	—	(50,720)	(1,532)	(52,252)
Segment results — profit (loss) for the year	(750,618)	(72,334)	71,178	110,336	359,321	(282,117)	(48,328)	(330,445)
Non-controlling interests	59,088	17,813	—	—	(62,019)	14,882	6,437	21,319
Profit (loss) attributable to owners of the Company	(691,530)	(54,521)	71,178	110,336	297,302	(267,235)	(41,891)	(309,126)
Segment results — profit (loss) for the year includes:								
Depreciation and amortization	93,965	29,833	—	—	—	123,798	—	123,798

	2011 HK$'000	2010 HK$'000
Reconciliation of profit (loss) for the year		
Total operating segments	**632,226**	(330,445)
Results of operation of toll roads	**—**	48,328
Share option expenses	**(17,835)**	(545)
Corporate and others (note (iv))	**(106,868)**	(83,953)
Profit (loss) for the year from continuing operations after impairment loss on property, plant and equipment	**507,523**	(366,615)

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

notes:

(i) Revenue from utilities includes government supplemental income of approximately HK$304,400,000 (2010: approximately HK$311,000,000) granted by the TEDA Finance Bureau to the Group's operating subsidiaries in the utilities segment.

Revenue from external customers and government supplemental income for supply of electricity, water, heat and thermal power amounted to approximately HK$2,087,200,000, HK$316,800,000 and HK$998,400,000 respectively (2010: approximately HK$1,938,400,000, HK$314,000,000 and HK$885,000,000 respectively.)

(ii) This was related to the Group's toll roads operation, namely, (a) Tianjin Jinzheng Transportation Development Company Limited ("Jinzheng") which operates the Eastern Outer Ring Road ("EORR"); and (b) Golden Horse Resources Limited ("Golden Horse") which held 60% equity interest in Jinbin Expressway. The operation of toll roads ceased to be a reportable segment for the Group upon completion of the disposal of Jinzheng and Golden Horse in December 2010.

(iii) The Group's interest in Tianjin Port was diluted from 67.33% to 21% in 2010 and the Group's share of results of Tianjin Port is continued to be presented as part of the continuing operations.

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

Segment assets and liabilities

	Utilities HK$'000	Hotels HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31 December 2011								
Segment assets	**3,158,568**	**1,031,225**	**901,151**	**3,220,005**	**805,788**	**9,116,737**	**5,314,996**	**14,431,733**
Segment liabilities	**1,926,517**	**92,047**	**—**	**—**	**—**	**2,018,564**	**2,231,164**	**4,249,728**

	Utilities HK$'000	Hotels HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31 December 2010								
Segment assets	2,617,127	1,055,944	886,237	3,045,447	686,164	8,290,919	4,882,748	13,173,667
Segment liabilities	1,513,631	90,227	—	—	—	1,603,858	2,163,076	3,766,934

note: 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, amount due from an investee company, properties, plant and equipment, investment properties, available-for-sale financial assets, interest in certain associates and bank borrowings.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (Cont'd)

Other segment information

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

	2011 HK$'000	2010 HK$'000
PRC mainland	**3,403,296**	3,138,168
Hong Kong	**113,736**	84,866
	3,517,032	3,223,034

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

	2011 HK$'000	2010 HK$'000
PRC mainland	**6,854,087**	5,350,080
Hong Kong	**557,462**	574,923
	7,411,549	5,925,003

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income	**110,233**	35,682
Rental income under operating leases net of negligible outgoings	**6,143**	—
Sundries	**16,509**	5,323
	132,885	41,005

7. OTHER GAINS, NET

	2011 HK$'000	2010 HK$'000
Gain on disposal of assets held for sale	**6,689**	—
Net exchange gain	**34,360**	42,178
Net gain on disposal of available-for-sale financial asset	**30,872**	—
Net gain (loss) on disposal of property, plant and equipment	**109**	(3,671)
Net (loss) gain on financial assets held for trading		
— listed	**(24,425)**	10,129
— unlisted	**9,954**	25,756
Others	**(2,881)**	—
	54,678	74,392

Notes to the Consolidated Financial Statements

8. DISPOSAL OF TOLL ROADS

(a) Disposal of interest in a subsidiary — Jinzheng which operated EORR

On 6 December 2010, the Group completed its disposal of 83.9308% equity interest in Jinzheng to Tianjin Eastern Outer Ring Road Co., Ltd which was formerly a non-controlling shareholder in Jinzheng.

Details of the gain on the disposal of Jinzheng were as follows:

	HK$'000	HK$'000
Consideration		1,408,922
Less: Net assets of Jinzheng at completion date		
Property, plant and equipment	69,536	
Toll road operating right	1,351,682	
Other receivables	40,548	
Cash and cash equivalents	176,190	
Deferred tax liabilities	(69,677)	
Other payables	(28,790)	
Tax payable	(11,345)	
	(1,528,144)	
Release of non-controlling interests	211,247	(1,316,897)
		92,025
Release of exchange reserve (note)		147,738
Expenses incurred for the disposal of Jinzheng		(3,348)
Gain on the disposal of Jinzheng recognized in the consolidated income statement		236,415
Transfer of statutory reserves to retained earnings upon completion on disposal of Jinzheng		18,314
Consideration satisfied by other receivables (Note 27)		1,408,922
Net cash outflow arising on disposal:		
Cash and cash equivalents disposed of		(176,190)

note: The exchange reserve was released to profit or loss as part of the gain on disposal upon completion of disposal of Jinzheng. Jinzheng was a subsidiary of the Company before December 2010 and was operated in the PRC.

Notes to the Consolidated Financial Statements

8. DISPOSAL OF TOLL ROADS (Cont'd)

(a) Disposal of interest in a subsidiary — Jinzheng which operated EORR (Cont'd)

The results and cash flows of Jinzheng for the relevant period and as of the relevant date were as follows:

	From 1 January 2010 to 6 December 2010 HK$'000
(i) Results	
Other income	2,766
Other operating expenses	(42,888)
General and administrative expenses	(6,674)
Loss before tax	(46,796)
Tax expense	(1,532)
Loss for the year	(48,328)
Attributable to:	
Owners of the Company	(41,891)
Non-controlling interests	(6,437)
	(48,328)
(ii) Cash flows	
Net cash from operating activities	22,165
Net cash used in investing activities	(13)
Net cash from financing activities	22,152
Effect of foreign exchange rate changes	4,146
Total cash inflows	48,450

(b) Disposal of interest in an associate — Golden Horse which was holding 60% equity interest in Jinbin Expressway

In 2009, in line with the Tianjin Municipal Government's restructuring plan of toll roads network in Tianjin, the Group was committed to dispose of its 40% interest in Golden Horse which was holding 60% equity interest in Jinbin Expressway.

On 31 March 2010, the Company was notified by the Tianjin Municipal Government that it would arrange for the refund of the Group's original investment in 40% interest in Golden Horse i.e. US$20 million (equivalent to approximately HK$156,000,000). During the period from June to September 2010, ownership of 26 properties located in Shenzhen and Tianjin had been transferred to the Group. Based on a valuation report prepared by an independent valuer, the market value of these properties at 15 October 2010 was approximately RMB150,820,000 (equivalent to approximately HK$174,630,000 (as per the exchange rate disclosed in the announcement dated 6 December 2010)). Therefore the Group had fully recovered its original investment in Golden Horse.

Notes to the Consolidated Financial Statements

8. DISPOSAL OF TOLL ROADS (Cont'd)

(b) Disposal of interest in an associate — Golden Horse which was holding 60% equity interest in Jinbin Expressway (Cont'd)

In conjunction with the above transfer of properties to the Group, the Group disposed of its entire interest in Golden Horse to Tsinlien at a consideration of HK$1 and Golden Horse ceased to be an associate of the Group thereafter.

By disposal of Golden Horse, the Group recognized a gain of approximately HK$9,907,000 which was calculated as follows:

	HK$'000	HK$'000
Consideration (net of tax of HK$10,838,000 for the transfer of properties)		166,389
Less: Carrying value of investment in Golden Horse at completion date	(156,000)	
Expenses incurred for the disposal	(482)	
		(156,482)
Gain on the disposal of Golden Horse recognized in the consolidated income statement		9,907

note: The consideration was calculated based on amount of RMB150,820,000 as per the applicable exchange rate on the completion date.

9. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

On 4 February 2010, the Company lost control over Tianjin Port, a then non-wholly owned subsidiary of the Company, upon Tianjin Port's acquisition of 56.81% interest in Tianjin Port Holdings Co., Ltd from Tianjin Port (Group) Co., Ltd., a connected person of the Group, for a total consideration of HK$10,961 million satisfied as to HK$6,891 million by issue of shares and as to HK$4,070 million by cash. Details of this transaction can be referred to a joint circular issued by the Company and Tianjin Port on 19 June 2009.

Upon completion of the transaction, the Group's interest in Tianjin Port was diluted from 67.33% to 21% (the "Deemed Disposal of Tianjin Port"). Accordingly, Tianjin Port ceased to be a subsidiary and became an associate of the Group. The Group has adopted equity accounting in respect of its interest in Tianjin Port thereafter.

The Group continues to participate in the business of port services through its 21% equity interest in Tianjin Port, which constitutes a reportable segment of the Group (Note 5).

Notes to the Consolidated Financial Statements

9. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY (Cont'd)

Details of the gain on the Deemed Disposal of Tianjin Port were as follows:

	HK$'000	HK$'000
Fair value of 21% equity interest in Tianjin Port retained by the Group (note (a))		2,891,837
Less: Total net assets of Tianjin Port disposed of		
Assets		
Property, plant and equipment	1,813,182	
Land use rights	773,588	
Interest in associates	25,936	
Interest in jointly controlled entities	1,494,323	
Deferred tax assets	9,429	
Available-for-sale financial assets	42,047	
Inventories	145,296	
Amount due from an associate	29,419	
Amount due from a jointly controlled entity	13,318	
Trade receivables	130,807	
Other receivables, deposits and prepayments	259,954	
Time deposits with maturity over three months	454,442	
Cash and cash equivalents	253,050	
Total assets	5,444,791	
Liabilities		
Trade payable	291,157	
Other payables and accruals	167,987	
Amounts due to related companies	26,662	
Borrowings	1,349,276	
Deferred tax liabilities	11,708	
Current tax liabilities	7,226	
Total liabilities	1,854,016	(3,590,775)
Release of non-controlling interests		1,176,077
		477,139
Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port (note (b))		(224,670)
Release of exchange reserve and available-for-sale revaluation reserve (amounting to HK$361,044,000 and HK$6,598,000 respectively) (note (c))		367,642
Gain on the Deemed Disposal of Tianjin Port recognized in the consolidated income statement		620,111
Transfer of various reserves mainly statutory reserves and general reserves to retained earnings upon completion of the Deemed Disposal of Tianjin Port		238,181
Cash outflows arising from the disposal		
— Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port		(224,670)
— Cash and cash equivalent disposed of		(253,050)
		(477,720)

Notes to the Consolidated Financial Statements

9. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY (Cont'd)

notes:

(a) The fair value was based on the market price of the listed shares of Tianjin Port.

(b) The amount represented the consideration paid by the Group to acquire the placing shares issued by Tianjin Port to maintain 21% interest in Tianjin Port pursuant to the terms of agreement for the Deemed Disposal of Tianjin Port at date of completion.

(c) The exchange reserve was released to profit or loss as part of the gain on disposal upon completion of the Deemed Disposal of Tianjin Port. Tianjin Port was a subsidiary of the Company before February 2010 and is operated in the PRC.

10. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

In 2010, against a background of a change in government policies and on the basis of a review of the Group's existing operations, management had decided that impairment losses were required to be recognized in respect of the Group's property, plant and equipment in the following operations:

	notes	2010 HK$'000
Utilities	(a)	753,456
Hotel operation of Hyatt Hotel	(b)	55,322
Others	(c)	20,698
Total		829,476

note:

(a) Property, plant and equipment in the utilities segment

As detailed in the consolidated financial statements for the year ended 31 December 2010, as a result of the change in government policy, effective for the year 2010, the basis of calculating the government supplemental income to be granted by the TEDA Finance Bureau to the utility businesses of the Group was changed. Based on discussion with the TEDA Finance Bureau, the Board expected that the government supplemental income for the year 2010 and thereafter would be further reduced despite an anticipated increase in the scale of operation of the utility businesses.

In light of the above information, management carried out a critical review of the recoverable amount of the Group's investments in its supply of utilities segment based on a value in use calculation. For this purpose, each of the sectors in this segment, namely, Electricity, Water, Heat and Thermal Power, was considered as a stand-alone CGU. The calculation used a cash flow projection based on a financial budget approved by management covering a 5-year period, a discount rate of 12% and growth rate ranging from 4% to 8%. The cash flows for the next 35 years were extrapolated based on the projected cash flows at the 5th year. Other key assumptions for the value in use calculation included projected utility consumption, capital expenditure and inflation rate.

As a result of this review, management concluded that the recoverable value of the Groups' investments, which are principally in the form of property, plant and equipment, in the two CGUs, namely, Water, Heat and Thermal Power, had fallen below their carrying amounts. Accordingly, an impairment loss of approximately HK$753,500,000 against these assets (Note 17) was recognized in the consolidated income statement for the year ended 31 December 2010.

Notes to the Consolidated Financial Statements

10. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(b) Hotel property

During the year of 2010, management reviewed the future prospect and development potential of the Group's 75% equity interest in a hotel property in Tianjin, Hyatt Regency Tianjin Hotel ("Hyatt Hotel"), which is currently closed. Accordingly, an independent firm of professional valuers was commissioned to value Hyatt Hotel on an open market value basis. The open market value basis was determined by residual valuation approach, with reference to the proposed renovation project by deducting renovation costs from the estimated completed value after renovation. The completed value represents selling price of the property assuming that the renovation was completed at the date of valuation.

On the basis of such valuation, the Group recognized an impairment loss of approximately HK$55,300,000 against Hyatt Hotel in the consolidated income statement for the year ended 31 December 2010.

(c) Property, plant and equipment in a non-core business

During the year of 2010, management reviewed the recoverable amount of certain equipment used in a non-core business, the operation of which was suspended. As a result of such a review, an impairment loss of approximately HK$20,700,000 against such equipment was recognized in the consolidated income statement for the year ended 31 December 2010.

11. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	2011 HK$'000	2010 HK$'000
Employee benefit expense (including Directors' emoluments) (Note 12)	337,669	275,006
Purchase of electricity, water and steam for sale	2,845,276	2,551,393
Depreciation		
— charged to cost of sales	42,465	88,462
— charged to administrative expenses	9,313	10,972
— charged to other operating expenses	22,983	24,009
Amortization of land use rights	6,858	6,557
Provision for impairment of trade receivables	14,793	39,031
Operating lease expense on		
— plants, pipelines and networks	147,137	129,992
— land and buildings	9,172	7,648
Auditor's remuneration	6,531	5,262

Notes to the Consolidated Financial Statements

12. EMPLOYEE BENEFIT EXPENSE

	2011 HK$'000	2010 HK$'000
Wages, salaries, bonus and social security costs	319,834	274,461
Share option expenses	17,835	545
	337,669	275,006

(a) Emoluments of Directors and senior management

The remuneration of each Director 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
Gong Jing	—	—	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
Wang Jiandong[(iii)]	—	—	331	331
Sun Zengyin[(iii)]	—	—	331	331
	1,782	11,099	13,015	25,896

Notes to the Consolidated Financial Statements

12. EMPLOYEE BENEFIT EXPENSE (Cont'd)

(a) Emoluments of Directors and senior management (Cont'd)

The remuneration of each Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Total HK$'000
Yu Rumin	—	684	—	684
Wu Xuemin	—	3,530	—	3,530
Dai Yan	—	3,384	—	3,384
Bai Zhisheng	—	—	—	—
Zhang Wenli	—	—	—	—
Gong Jing	—	—	—	—
Wang Zhiyong	—	2,684	—	2,684
Cheung Wing Yui, Edward	318	80	—	398
Chan Ching Har, Eliza	318	80	—	398
Cheng Hon Kwan	382	80	—	462
Mak Kwai Wing, Alexander	382	80	—	462
Ng Yi Kum, Estella(ii)	159	50	545	754
Wang Jiandong(iii)	—	—	—	—
Sun Zengyin(iii)	—	—	—	—
Zheng Daoquan(iv)	—	2,764	—	2,764
Kwong Che Keung, Gordon(v)	154	—	—	154
	1,713	13,416	545	15,674

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

(ii) Appointed on 28 July 2010.

(iii) Resigned on 31 December 2011.

(iv) Resigned on 31 December 2010.

(v) Retired on 26 May 2010.

Notes to the Consolidated Financial Statements

12. EMPLOYEE BENEFIT EXPENSE (Cont'd)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2010: four) are Directors and their emoluments are shown in Note 12(a). The emoluments of the five individuals with the highest emoluments for the year ended 31 December 2011 and 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000
Fees	**—**	—
Salaries, bonus and other benefits	**14,641**	14,673
Share-based payments	**12,918**	—
	27,559	14,673

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

	2011	2010
Emolument bands (HK$)		
2,000,001–2,500,000	**1**	1
2,500,001–3,000,000	**—**	2
3,000,001–3,500,000	**—**	1
3,500,001–4,000,000	**—**	1
4,000,001–4,500,000	**—**	—
4,500,001–5,000,000	**—**	—
5,000,001–5,500,000	**1**	—
5,500,001–6,000,000	**—**	—
6,000,001–6,500,000	**2**	—
6,500,001–7,000,000	**—**	—
7,000,001–7,500,000	**1**	—

13. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest expenses on bank borrowings repayable within five years	**33,704**	19,170

Notes to the Consolidated Financial Statements

14. TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current taxation		
PRC Enterprise Income Tax ("PRC EIT")	**77,220**	26,773
Deferred taxation (Note 36)	**32,442**	26,894
	109,662	53,667

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2010: Nil).

The Group's PRC subsidiaries are subject to PRC EIT at 25%. Certain subsidiaries in the utilities segment are currently subject to a preferential tax rate of 24% (2010: 22%), the tax rate will be increased to 25% in 2012.

The deferred tax charge for the current year is 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 are no longer expected to be utilized in the foreseeable future and accordingly, the related deferred tax asset was reversed during the year ended 31 December 2011.

The income tax expense on the Group's profit before tax before impairment loss on property, plant and equipment 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:

	2011 HK$'000	2010 HK$'000
Profit before tax before impairment loss on property, plant and equipment	**617,185**	516,528
Less: share of results of associates and jointly controlled entities	**(602,363)**	(531,643)
Less: impairment loss on property, plant and equipment	**—**	(829,476)
	14,822	(844,591)
Calculated at applicable tax rates	**2,704**	(151,347)
Income not subject to taxation	**(18,177)**	(34,830)
Expenses not deductible for taxation purposes	**89,746**	234,659
Tax losses not recognized	**4,379**	5,185
Release of tax losses recognized as deferred tax asset in prior year	**31,010**	—
Tax expense	**109,662**	53,667

The weighted average applicable tax rate is 18.24% (2010: 17.9%).

Notes to the Consolidated Financial Statements

15. 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 profit of approximately HK$234,944,000 (2010: loss of approximately HK$521,623,000).

16. EARNINGS (LOSS) PER SHARE

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

	2011	2010		
	Continuing operations HK$'000	Continuing operations after impairment loss on property, plant and equipment HK$'000	Operation of toll roads and port services HK$'000	Sub-total HK$'000
Profit (loss) attributable to owners of the Company for purpose of basic and diluted earnings (loss) per share	**437,195**	(350,370)	824,542	474,172
Number of shares	**Thousand**	Thousand	Thousand	
Number of ordinary shares for purpose of basic earnings (loss) per share	**1,067,470**	1,067,470	1,067,470	
Effect of dilutive potential ordinary shares: Options	**682**	—	—	
Number of ordinary shares taking into account of share options for purpose of diluted earnings (loss) per share	**1,068,152**	1,067,470	1,067,470	

The share options had no dilutive effect on the basic earnings (loss) per share for 2010.

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	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 (Note 31)	**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 (Note 31)	**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**

	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 2010	708,266	326,622	982,237	79,672	13,765	265,951	1,443	2,377,956
Exchange differences	16,634	—	37,098	1,425	784	6,571	49	62,561
Additions	521	—	20,554	3,279	3,742	219,746	—	247,842
Transfers	47,983	—	295,685	841	—	(344,509)	—	—
Disposals	(346)	—	(4,500)	(4,968)	(2,043)	—	—	(11,857)
Classified as assets held for sale (Note 31)	(184,316)	—	(1,612)	(898)	(372)	—	—	(187,198)
At 31 December 2010	588,742	326,622	1,329,462	79,351	15,876	147,759	1,492	2,489,304
Accumulated depreciation and impairment								
At 1 January 2010	105,339	62,032	262,993	36,904	40	—	567	467,875
Exchange differences	7,455	—	22,173	1,015	325	477	25	31,470
Charge for the year	36,033	298	74,040	9,175	3,605	—	292	123,443
Disposals	(14)	—	(974)	(753)	(1,451)	—	—	(3,192)
Impairment loss (Note 10)	195,679	—	604,811	5,128	—	23,858	—	829,476
Classified as assets held for sale (Note 31)	(69,554)	—	(678)	(794)	(215)	—	—	(71,241)
At 31 December 2010	274,938	62,330	962,365	50,675	2,304	24,335	884	1,377,831
Net book value								
At 31 December 2010	313,804	264,292	367,097	28,676	13,572	123,424	608	1,111,473

Notes to the Consolidated Financial Statements

17. 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 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**
Cost			
At 1 January 2010	4,655	5,241	9,896
Exchange differences	159	191	350
Additions	37	644	681
At 31 December 2010	4,851	6,076	10,927
Accumulated depreciation			
At 1 January 2010	3,737	2,737	6,474
Exchange differences	129	110	239
Charge for the year	95	833	928
At 31 December 2010	3,961	3,680	7,641
Net book value			
At 31 December 2010	890	2,396	3,286

Notes to the Consolidated Financial Statements

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

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

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

18. 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.

19. INVESTMENT PROPERTIES

	HK$'000
The Group and the Company	
Fair value	
At 31 December 2010 and 1 January 2011	–
Reclassified from assets held for sale (Note 31)	134,335
At 31 December 2011	134,335

The fair value as at 31 December 2011 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 31 December 2011.

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.

The Group's interests in investment properties are as follows:

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

Notes to the Consolidated Financial Statements

20. INTEREST IN SUBSIDIARIES

	notes	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost		**4,653,142**	4,434,427
Less: Impairment		**(830,111)**	(791,093)
		3,823,031	3,643,334
Advances to subsidiaries	(a)	**5,697,533**	5,093,848
Less: Impairment	(a)	**(700,146)**	(700,146)
		4,997,387	4,393,702
		8,820,418	8,037,036

note:

(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 2011 are set out in Note 44.

21. INTEREST IN ASSOCIATES

	notes	2011 HK$'000	2010 HK$'000
Group's interest in associates			
— Listed shares in Hong Kong			
— Dynasty		**901,151**	886,237
— Tianjin Port	(a)	**3,220,005**	3,045,447
— Unlisted shares in Tianjin Tianduan	(b)	**169,158**	—
— Unlisted shares in Otis China		**805,788**	686,164
— Other unlisted shares	(c)	**143,319**	126,774
	(d)	**5,239,421**	4,744,622
Market value of listed shares			
— Dynasty		**998,722**	2,399,400
— Tianjin Port		**1,319,044**	2,379,451

Notes to the Consolidated Financial Statements

21. INTEREST IN ASSOCIATES (Cont'd)

notes:

(a) As set out in Note 9, during the year of 2010, Tianjin Port ceased to be a subsidiary and became an associate of the Group. The interest in Tianjin Port includes an amount of HK$1,121,000,000, being the difference between the fair value of 21% interest in Tianjin Port and the Group's share of net assets thereof upon completion of the deemed disposal.

(b) On 11 October 2011, a non wholly-owned subsidiary of the Company, Tianjin Tai Kang Industrial Co. Ltd ("Tianjin Tai Kang"), entered into a capital injection 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") and an independent third party, pursuant to which Tianjin Tai Kang agreed to inject a cash amount of RMB135,000,000 (equivalent to approximately HK$165,222,000) into Tianjin Tianduan Press Co. Ltd. ("Tianjin Tianduan") for the acquisition of 21.83% of the enlarged capital of Tianjin Tianduan. The capital injection was completed on 11 November 2011 and Tianjin Tianduan became an associate of the Group. Equity accounting has been adopted by the Group in respect of its interest in Tianjin Tianduan thereafter.

(c) Other unlisted shares as at 31 December 2011 represent the Group's investment in Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited.

(d) Interest in associates as at 31 December 2011 included goodwill of HK$1,137,888,000 (2010: HK$1,124,949,000). Share of associates' taxation for the year ended 31 December 2011 of HK$145,180,000 (2010: HK$166,384,000) are included in the consolidated income statement as share of profits of associates.

(e) Details of principal associates which in the Directors' opinion materially affect the results and/or net assets of the Group at 31 December 2011 are set out in Note 45.

(f) The financial information of the Group's associates are as follows:

Name	**Assets HK$'000**	**Liabilities HK$'000**	**Non-controlling interests HK$'000**	**Revenues HK$'000**	**Profit attributable to shareholders of associates for the year HK$'000**	**Interest attributable to the Group %**
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**
Tianjin Tianduan	**1,936,864**	**1,237,654**	**—**	**958,937**	**72,428**	**18.06**
Otis China	**10,696,177**	**6,215,700**	**471,505**	**16,521,028**	**2,188,088**	**16.55**
Others	**927,626**	**517,327**	**—**	**618,527**	**33,831**	
	49,716,728	**22,077,372**	**10,509,168**	**36,091,304**	**3,011,878**	
2010						
Dynasty	2,598,499	595,050	26,789	1,614,610	158,808	44.70
Tianjin Port	31,758,114	13,548,310	9,044,911	15,052,720	570,586	21.00
Otis China	8,208,851	4,463,972	332,739	13,390,316	1,796,607	16.55
Others	960,843	600,499	—	576,363	30,372	
	43,526,307	19,207,831	9,404,439	30,634,009	2,556,373	

Notes to the Consolidated Financial Statements

22. INTEREST IN JOINTLY CONTROLLED ENTITIES

The Group's interest in its jointly controlled entities attributable to the Group's interest therein, 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$'000	Net loss attributable to the Group HK$'000
As at 31 December 2011	**103,985**	**109,991**	**230,045**	**—**	**203,948**	**(1,088)**
As at 31 December 2010	126,080	128,237	237,887	180	188,480	(19,522)

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 2011 are set out in Note 46.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	**2011 HK$'000**	2010 HK$'000
Equity securities			
Listed, at market value	(a)	**193,513**	282,827
Unlisted	(b)	**52,073**	181,941
		245,586	464,768
Disclosure			
Current assets		**36,991**	—
Non-current assets		**208,595**	464,768
		245,586	464,768
At 1 January		**464,768**	558,652
Exchange differences		**6,802**	5,525
Additions		**7,280**	34,562
Disposals		**(143,950)**	—
Change in fair value		**(89,314)**	(133,971)
At 31 December		**245,586**	464,768

Notes to the Consolidated Financial Statements

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)

notes:

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

As at 31 December 2011, the market value of the Group's equity interest in Binhai Investment was approximately HK$193,513,000 (2010: approximately HK$282,827,000), and the unrealized fair value loss of approximately HK$89,314,000 (2010: approximately HK$133,971,000) was recognized in other comprehensive income.

(b) On 22 June 2011, the Group entered into a sale and purchase agreement to dispose of its entire 6.62% interest in Tianjin Xinzhan Expressway Co., Ltd. (天津新展高速公路有限公司) ("Tianjin Xinzhan") to Tianjin Expressway Group Co., Ltd. (天津高速公路集團有限公司), one of the shareholders of Tianjin Xinzhan, at a cash consideration of RMB118,100,000 (equivalent to approximately HK$143,774,000). Tianjin Xinzhan is a joint venture established in the PRC and operates the Tangjin Expressway in Tianjin. All conditions precedent stipulated under the agreement were fulfilled and the disposal was completed on 12 October 2011. Since then, the Group's interest in Tianjin Xinzhan ceased to be an unlisted available-for-sale financial asset of the Group. A gain of approximately HK$31,272,000 was recognized by the Group accordingly.

The remaining unlisted available-for-sale financial assets were principally trust investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi.

24. INVENTORIES

	2011 **HK$'000**	2010 HK$'000
Raw materials	**1,643**	1,821
Work in progress	**78**	1,449
Finished goods	**518**	538
Consumable stocks	**939**	1,197
	3,178	5,005

25. 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 mainly denominated in Renminbi.

Notes to the Consolidated Financial Statements

26. AMOUNTS DUE FROM (TO) RELATED COMPANIES, NON-CONTROLLING INTERESTS AND AN INVESTEE COMPANY

	At 31 December 2011 HK$'000	At 31 December 2010 and 1 January 2011 HK$'000	Maximum amount outstanding during the year HK$'000
Amounts due from related companies	**15,740**	42,361	**98,794**
Amount due from an investee company	**—**	16,833	**16,833**
Amounts due to related companies	**(194,836)**	(78,884)	
Amounts due to non-controlling interests	**(97,489)**	(42,127)	

The balances are unsecured, interest free, and having no fixed repayment term and denominated in Renminbi. The amount due from an investee company was fully repaid during the year 2011. Details of the relationship with related companies are set out in Note 42.

27. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
	notes	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade receivables					
Fully performing	(a)	**497,558**	425,163	**—**	—
Past due but not impaired	(b)	**96,441**	292,139	**—**	—
Impaired	(c)	**139,808**	118,810	**—**	—
Trade receivables — gross		**733,807**	836,112	**—**	—
Less: provision for impairment		**(139,808)**	(118,810)	**—**	—
Trade receivables — net	(d)	**593,999**	717,302	**—**	—
Other receivables, deposits and prepayments					
Consideration receivable for disposal of Jinzheng	(e)	**123,305**	1,408,922	**—**	—
Other receivables, deposits and prepayments		**181,941**	187,840	**10,930**	2,732
		305,246	1,596,762	**10,930**	2,732

Notes to the Consolidated Financial Statements

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

notes:

(a) The various group companies have different credit policies which are dependent on the practice of the markets and the businesses. In general, credit periods of 30 to 180 days are granted to corporate customers of the Group's hotel business. No credit terms are granted to customers in the utilities segment. For those fully performing are trade receivables with no history of default payment.

As at 31 December 2011, the government supplemental income receivable of approximately HK$257,281,000 (2010: approximately HK$400,045,000) was due from the TEDA Finance Bureau as referred to in Note 5. Annual government supplemental income receivable does not have credit terms and the amount is to be finalized by the TEDA Finance Bureau after year end. Continuous settlements have been received by the Group in the past years.

(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:

	2011 HK$'000	2010 HK$'000
Within 30 days	49,341	251,548
31 to 90 days	19,828	22,994
91 to 180 days	26,065	17,597
Over 180 days	1,207	—
	96,441	292,139

(c) As at 31 December 2011, trade receivables of HK$139,808,000 (2010: HK$118,810,000) 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:

	2011 HK$'000	2010 HK$'000
Within 30 days	—	—
31 to 90 days	4	—
91 to 180 days	—	—
Over 180 days	139,804	118,810
	139,808	118,810

Notes to the Consolidated Financial Statements

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

notes: (Cont'd)

(c) (Cont'd)

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

	2011 HK$'000	2010 HK$'000
At 1 January	**118,810**	76,397
Exchange differences	**6,205**	3,382
Provision made in the year	**14,793**	39,031
At 31 December	**139,808**	118,810

The creation and release of provision for impaired receivables are included in general and administrative 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.

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

	2011 HK$'000	2010 HK$'000
Within 30 days	**411,525**	500,487
31 to 90 days	**20,082**	23,236
91 to 180 days	**26,082**	17,623
Over 180 days	**136,310**	175,956
	593,999	717,302

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

(f) The carrying amounts of trade 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 receivable mentioned above. Except for the government supplemental income receivable, the Group has no significant concentrations of credit risk and does not hold any collateral as security.

Notes to the Consolidated Financial Statements

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Investment held for trading		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**56,234**	57,164
Unlisted funds in the PRC	**277,115**	331,241
	338,708	393,764
Market values of listed shares	**61,593**	62,523

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.

29. ENTRUSTED DEPOSITS

As at 31 December 2011, the entrusted deposits have been placed with two financial institutions based in Tianjin, PRC with maturity between 2 to 16 months after the end of the reporting period (2010: 4 to 33 months). The deposits carry fixed rates of return ranging from 6.1% to 8.4% per annum (2010: 5.31% to 7.00%). The Group has the right to early redeem the deposits and these deposits were classified as current assets.

Notes to the Consolidated Financial Statements

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**2,107,695**	2,019,484	**27,759**	29,666
Time deposits in bank with maturity less than three months	**834,572**	501,422	**589,699**	438,315
Balances with other financial institutions	**8,606**	205	**1**	1
Cash and cash equivalents	**2,950,873**	2,521,111	**617,459**	467,982
Time deposits in bank with maturity over three months	**809,174**	397,016	**–**	–
Time deposits in other financial institutions with maturity over three months	**–**	20,305	**–**	–
Time deposits with maturity over three months	**809,174**	417,321	**–**	–
Restricted bank balance (note)	**3,083**	10,576	**–**	–
	3,763,130	2,949,008	**617,459**	467,982

note: The restricted bank balance is pledged against the notes payable issued by the respective banks amounting to approximately HK$9,458,000 as at 31 December 2011 (2010: approximately HK$35,253,000).

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 and time deposits in banks range from 0.05% to 3.50% per annum (2010: 0.05% to 3.87% per annum); these deposits have maturity from 7 to 357 days (2010: from 4 to 364 days).

Notes to the Consolidated Financial Statements

31. ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

	notes	2011 HK$'000	2010 HK$'000
Assets held for sale			
— hotel operation of Hyatt Hotel	(a)	–	357,686
— properties held for sale	(b)	–	166,173
		–	523,859
Liabilities directly associated with assets held for sale			
— hotel operation of Hyatt Hotel	(a)	–	76,787

notes:

(a) During the year ended 31 December 2010, management resolved, and commenced action, to dispose its 75% interest in Hyatt Hotel. However, following changes in market sentiment in 2011, management has decided to retain it for future development. Accordingly, the assets and liabilities of Hyatt Hotel were reclassified to the corresponding line items on the consolidated balance sheet.

The assets and liabilities of Hyatt Hotel as at 31 December 2011 and 2010 are detailed as below:

	31 December 2011 HK$'000	31 December 2010 HK$'000
Assets		
Property, plant and equipment	121,676	115,957
Land use rights	230,623	219,783
Trade receivables	85	56
Other receivables, deposits and prepayments	27,303	19,675
Cash and cash equivalents	3,586	2,215
Total assets	383,273	357,686
Liabilities		
Other payables and accruals	1,465	1,811
Deferred tax liabilities	78,614	74,976
Total liabilities	80,079	76,787

(b) As a result of the disposal of interest in Golden Horse in 2010 (Note 8(b)), the Group was transferred ownership of 26 properties located in Shenzhen and Tianjin which management resolved to dispose and were classified as assets held for sale. Up to 31 December 2011, 24 properties were disposed and the management has decided to retain the remaining 2 properties to earn rentals as a result of the change in PRC property market. Accordingly, the unsold properties at an amount of approximately HK$134,335,000 as at 31 December 2011, being the date of change of management intention, were reclassified to investment properties.

Notes to the Consolidated Financial Statements

32. SHARE CAPITAL

	Number of shares thousands	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorized:		
At 1 January 2010, 31 December 2010 and 31 December 2011	3,000,000	300,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	1,067,470	106,747

33. 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.

Notes to the Consolidated Financial Statements

33. SHARE OPTION SCHEME (Cont'd)

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

			Number of share options								
Date of grant	Exercisable period	Exercise price HK$	Balance at 1 January 2010	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2010	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2011
19 December 2007	17 January 2008 to 24 May 2017	8.04	7,600,000	–	–	(2,300,000)	5,300,000	–	–	(900,000)	4,400,000
16 December 2009	16 December 2009 to 24 May 2017	5.75	14,200,000	–	–	(1,200,000)	13,000,000	–	–	(1,900,000)	11,100,000
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
			21,800,000	300,000	–	(3,500,000)	18,600,000	16,800,000	–	(2,800,000)	32,600,000

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

Date of grant	7 November 2011	3 December 2010
Exercise price	HK$3.56	HK$6.07
Standard deviation of expected share price return	45%	42%
Expected option life	Approximate 5.5 years	Approximate 6.5 years
Annual risk free interest rate	0.835%	1.911%
Dividend yield (semi-annual)	1.8%	1.9%
Average fair value	HK$1.0616	HK$1.8197

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 2011, 26,700,000 share options (2010: 17,200,000 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.

The amount of share option expenses is disclosed in Note 12.

Notes to the Consolidated Financial Statements

34. 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 2010	9,338	5,004,487	106,989	402,204	49,874	359,942	1,304,723	429,707	1,060,370	8,727,634
Profit for the year	—	—	—	—	—	—	—	—	474,172	474,172
Currency translation differences										
— the Group	—	—	—	—	—	—	132,521	—	—	132,521
— associates	—	—	—	—	—	—	88,542	—	—	88,542
— jointly controlled entities	—	—	—	—	—	—	825	—	—	825
Transfers	—	—	2,119	29,204	—	—	—	—	(31,323)	—
Change in fair value of available-for-sale financial assets	—	—	—	—	—	—	—	(133,971)	—	(133,971)
Deferred taxation on fair value change of available-for-sale financial assets	—	—	—	—	—	—	—	(8,625)	—	(8,625)
Release of reserves upon deemed disposal of interest in a subsidiary	(328)	—	(27,283)	(203,297)	(7,273)	—	(361,044)	(6,598)	238,181	(367,642)
Release of reserves upon disposal of interest in a subsidiary	—	—	—	(18,314)	—	—	(147,738)	—	18,314	(147,738)
Share of reserves of associates	—	—	—	—	—	—	—	3,009	—	3,009
Share-based payments										
— the Group	—	—	—	—	545	—	—	—	—	545
— associates	—	—	—	—	5,237	—	—	—	—	5,237
Transfer upon lapse of share options	—	—	—	—	(6,807)	—	—	—	6,807	—
At 31 December 2010 and 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**
Currency translation differences										
— the Group	**—**	**—**	**—**	**—**	**—**	**—**	**202,843**	**—**	**—**	**202,843**
— associates	**—**	**—**	**—**	**—**	**—**	**—**	**171,564**	**—**	**—**	**171,564**
— jointly controlled entities	**—**	**—**	**—**	**—**	**—**	**—**	**810**	**—**	**—**	**810**
Transfers	**—**	**—**	**2,150**	**46,199**	**—**	**—**	**—**	**—**	**(48,349)**	**—**
Change in fair value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(89,314)**	**—**	**(89,314)**
Reclassification adjustment for accumulated gain upon disposal of available-for-sale financial assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(34,425)**	**—**	**(34,425)**
Release of deferred taxation relating to the abovementioned reclassification adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,020**	**—**	**9,020**
Share of reserves of associates	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,910)**	**—**	**(7,910)**
Share-based payments										
— the Group	**—**	**—**	**—**	**—**	**17,835**	**—**	**—**	**—**	**—**	**17,835**
— associates	**—**	**—**	**—**	**—**	**195**	**—**	**—**	**—**	**—**	**195**
Transfer upon lapse of share options	**—**	**—**	**—**	**—**	**(3,975)**	**—**	**—**	**—**	**3,975**	**—**
At 31 December 2011	**9,010**	**5,004,487**	**83,975**	**255,996**	**55,631**	**359,942**	**1,393,046**	**160,893**	**2,159,342**	**9,482,322**

Retained earnings attributable to associates and accumulated losses attributable to jointly controlled entities amount to HK$1,063,539,000 (2010: HK$897,821,000) and HK$91,613,000 (2010: HK$90,525,000) respectively. All other reserves of the Group are dealt with in the consolidated financial statements of the Company and its subsidiaries.

Notes to the Consolidated Financial Statements

34. RESERVES (Cont'd)

The Group (Cont'd)

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.

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 2010	5,004,487	40,131	1,128,522	368,510	6,541,650
Loss for the year	—	—	—	(521,623)	(521,623)
Share-based payments	—	545	—	—	545
Transfer upon lapse of share options	—	(6,807)	—	6,807	—
Currency translation differences	—	—	230,140	—	230,140
At 31 December 2010 and 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	**5,004,487**	**47,729**	**1,677,990**	**92,613**	**6,822,819**

Notes to the Consolidated Financial Statements

35. BANK BORROWINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Bank borrowings				
— Unsecured	**1,987,500**	—	**1,987,500**	—
Current				
Short term bank borrowings				
— Unsecured	**362,514**	2,167,735	**—**	1,998,523
Total borrowings	**2,350,014**	2,167,735	**1,987,500**	1,998,523

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

The maturity of bank borrowings is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings (note):				
Within one year	**362,514**	2,167,735	**—**	1,998,523
In the second year	**—**	—	**—**	—
In the third year	**1,987,500**	—	**1,987,500**	—
Wholly repayable within five years	**2,350,014**	2,167,735	**1,987,500**	1,998,523

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Renminbi	**362,514**	169,212	**—**	—
HK dollar	**1,987,500**	1,998,523	**1,987,500**	1,998,523
	2,350,014	2,167,735	**1,987,500**	1,998,523

Notes to the Consolidated Financial Statements

35. BANK BORROWINGS (Cont'd)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Bank borrowings:				
Renminbi	**7.54**	5.48	**N/A**	N/A
HK dollar	**1.70**	0.78	**1.70**	0.54

note: On 18 February 2011, the Company obtained a term loan banking facility (the "Facility") of HK$2,000,000,000 for the purpose of refinancing a prior syndicated bank loan, which was obtained in 2006 and had been fully repaid on 29 July 2011. 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. In addition, 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.

36. DEFERRED TAXATION

	2011	2010
	HK$'000	HK$'000
Deferred tax assets	**100,051**	133,379
Deferred tax liabilities	**(76,056)**	(8,798)
Deferred tax assets — net	**23,995**	124,581

note:

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.

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.

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$217,909,000 (2010: HK$220,580,000) 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.

Notes to the Consolidated Financial Statements

36. DEFERRED TAXATION (Cont'd)

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

	Accelerated depreciation HK$'000	Accrued income HK$'000	Revaluation of property HK$'000	Revaluation of available-for-sale financial assets HK$'000	Provisions for impairment HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2010	(12,888)	(105)	(88,560)	—	59,937	128,043	86,427
Deferred tax (charged) to available-for-sale revaluation reserve	—	—	—	(8,625)	—	—	(8,625)
Deferred tax (charged) credited to income statement	(5,399)	(2,918)	16,277	—	(28,211)	(6,642)	(26,893)
Exchange difference	144	(62)	(2,693)	(172)	1,479	—	(1,304)
Reclassification to liabilities associated with assets held for sale (Note 31)	—	—	74,976	—	—	—	74,976
At 31 December 2010 and at 1 January 2011	**(18,143)**	**(3,085)**	**—**	**(8,797)**	**33,205**	**121,401**	**124,581**
Deferred tax (charge) 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 (Note 31)	**—**	**—**	**(78,614)**	**—**	**—**	**—**	**(78,614)**
At 31 December 2011	**(18,793)**	**(3,237)**	**(76,056)**	**—**	**34,843**	**87,238**	**23,995**

37. TRADE PAYABLES

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

	2011 HK$'000	2010 HK$'000
Within 30 days	**22,720**	17,058
31 to 90 days	**248,961**	38,931
91 to 180 days	**—**	15
Over 180 days	**107,354**	217,609
	379,035	273,613

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

Notes to the Consolidated Financial Statements

38. OTHER PAYABLES AND ACCRUALS

The other payables and accruals mainly consist of receipts in advance and accruals.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Not later than one year	**3,858**	5,925	**3,153**	5,128
Later than one year and not later than five years	**1,687**	4,823	**240**	2,914
Over five years	**—**	381	**—**	—
	5,545	11,129	**3,393**	8,042
Plants, pipelines and networks				
Not later than one year	**71,754**	68,482	**—**	—
Later than one year and not later than five years	**—**	54	**—**	—
	71,754	68,536	**—**	—
	77,299	79,665	**3,393**	8,042

The Group as lessor

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment properties				
Not later than one year	**5,302**	—	**5,302**	—
Later than one year and not later than five years	**21,208**	—	**21,208**	—
Over five years	**7,511**	—	**7,511**	—
	34,021	—	**34,021**	—

Notes to the Consolidated Financial Statements

40. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Authorized but not contracted for in respect of		
— Improvements on plant and machinery	**825,098**	576,961
— Acquisition of properties	**—**	57,579
— Capital injection to a subsidiary	**—**	48,202
— Capital injection for establishment of a jointly controlled entity	**—**	29,377
	825,098	712,119
Contracted but not provided for in respect of		
— Property, plant and machinery	**152,728**	49,716
— Capital injection in an associate	**190,691**	181,727
— Capital injection in jointly controlled entities	**17,387**	11,870
	360,806	243,313

Notes to the Consolidated Financial Statements

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2011 HK$'000	2010 HK$'000
Profit before tax before impairment loss on property, plant and equipment	**617,185**	516,528
Loss before tax for operation of toll roads (Note 8(a))	**—**	(46,796)
	617,185	469,732
Adjustments for:		
Share of profit of associates	**(603,451)**	(551,165)
Share of losses of jointly controlled entities	**1,088**	19,522
Finance costs	**33,704**	19,170
Interest income	**(110,233)**	(35,682)
Depreciation	**74,761**	123,443
Amortization	**6,858**	6,557
Net (gain) loss on disposal of property, plant and equipment	**(109)**	3,671
Unrealized loss (gain) on financial assets at fair value through profit or loss	**14,471**	(10,129)
Provision for impairment of trade receivables	**14,793**	39,031
Net exchange gain	**(34,360)**	(42,178)
Share based payments	**17,835**	545
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	**(30,872)**	—
Changes in working capital:		
Inventories	**1,967**	5,566
Trade receivables	**136,326**	232,591
Other receivables, deposits and prepayments	**39,915**	39,912
Financial assets at fair value through profit or loss	**68,287**	76,364
Trade payables	**87,708**	70,086
Notes payable	**(26,240)**	6,876
Other payables and accruals	**37,152**	19,910
Amount due from ultimate holding company	**(171)**	(73)
Amounts due to related companies	**145,216**	(70,155)
Amounts due to non-controlling interests	**997**	40,780
Net cash generated from operations	**488,510**	464,374

Notes to the Consolidated Financial Statements

42. RELATED PARTY TRANSACTIONS

The Group is controlled by Tsinlien, a company incorporated in Hong Kong, which owned 55.02% of the Company's shares as at 31 December 2011 (2010: 54.05%). The remaining 44.98% (2010: 45.95%) of the Company's shares was 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 control or exercise significant influence, and key management personnel of the Company and Tsinlien as well as their close family members.

For the year of 2011 and 2010, 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 bank deposits 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 purchase). 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 2011 set out in Notes 8, 9, 20, 25 and 26 in the consolidated financial statements, 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 parties of the Group

	2011 **HK$'000**	2010 HK$'000
Operating lease expenses for land	**3,501**	1,574
Operating lease expenses for plants, pipelines and networks	**147,137**	129,992
Purchase of steam for sale	**830,184**	716,346

note: The related parties are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries. Balances with related companies are set out in Note 26.

Notes to the Consolidated Financial Statements

42. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Key management compensation

	2011 HK$'000	2010 HK$'000
Fees	—	—
Salaries and other emoluments	16,523	16,663
Share-based payments	14,361	—
	30,884	16,663

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 29 March 2012.

44. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2011 are set out below:

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage		
			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.	Investment holding	RMB1,030,269,400	82.74	82.74	–
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	100	100	–
Tianjin TEDA Tsinlien Electric Power Company Limited	Supply of electricity	RMB314,342,450	94.36	–	94.36
Tianjin TEDA Tsinlien Water Supply Company Limited	Supply of water	RMB163,512,339	91.41	–	91.41
Tianjin TEDA Tsinlien Heat & Power Company Limited	Supply of steam and thermal power	RMB262,948,258	90.94	–	90.94
Tianjin First Hotel Ltd.	Operation of Hyatt Regency Tianjin Hotel	US$9,000,000	75	–	75

Notes to the Consolidated Financial Statements

44. PRINCIPAL SUBSIDIARIES (Cont'd)

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 in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	100	100	–
Leadport Holdings Limited	Investment holding	US$1	100	100	–
Famous Ever Group 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

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					
Tianjin Tianduan Press Co., Ltd.	Manufacture and sale of presses and mechanical equipment and related accessories	RMB50,776,070	18.06 (note a)	–	21.83
Otis Elevator (China) Investment Company Limited	Investment holding	US$79,625,000	16.55 (note b)	–	20
Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited	Design, manufacture, sale and provision of advisory services for equipment used to generate electricity by water	RMB180,597,627	28.14	–	34.0
Established in Cayman Islands, operating in and listed in Hong Kong					
Dynasty Fine Wines Group Limited	Investment holding	HK$124,820,000	44.70	–	44.70
Tianjin Port Development Holdings Limited	Investment holding	HK$615,800,000	21.00	–	21.00

Notes to the Consolidated Financial Statements

45. PRINCIPAL ASSOCIATES (Cont'd)

notes:

(a) The 18.06% interest attributable to the Group represents the 21.83% interest of Tianjin Tianduan held by a 82.74% owned subsidiary of the Group.

(b) The 16.55% interest attributable to the Group represents the 20% interest of Otis China held by a 82.74% owned subsidiary of the Group.

(c) No other changes to principal associates for 2011 except for the acquisition of Tianjin Tianduan as set out in Note 21(b).

46. PRINCIPAL JOINTLY CONTROLLED ENTITY

Name	Principal Activities	Issued and paid up capital/ registered capital	Percentage		
			Attributable to the Group	Held by the Company	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

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Results					
Revenue	3,268,013	2,566,847	2,841,186	3,223,034	**3,517,032**
Operating profit (loss) less finance cost	626,894	150,920	126,021	(844,591)	**14,822**
Share of profits (losses) of					
Associates	220,651	253,964	342,306	551,165	**603,451**
Jointly controlled entities	(9,831)	(19,832)	(9,940)	(19,522)	**(1,088)**
Profit (loss) before income tax	837,714	385,052	458,387	(312,948)	**617,185**
Income tax (expense) credit	(62,569)	57,360	(32,934)	(53,667)	**(109,662)**
Profit (loss) for the year from continuing operations	775,145	442,412	425,453	(366,615)	**507,523**
Profit (loss) for the year from operation of toll roads and port services	52,094	176,881	(646,470)	818,105	**—**
Profit (loss) for the year	827,239	619,293	(221,017)	451,490	**507,523**
Attributable to:					
Owners of the Company	690,301	524,552	(195,141)	474,172	**437,195**
Non-controlling interests	136,938	94,741	(25,876)	(22,682)	**70,328**
	827,239	619,293	(221,017)	451,490	**507,523**
Dividends	115,701	96,072	55,508	—	**—**
Assets and liabilities					
Total assets	12,923,020	14,871,516	16,286,254	13,173,667	**14,431,733**
Total liabilities	2,770,497	4,170,989	5,509,908	3,766,934	**4,249,728**
Total equity	10,152,523	10,700,527	10,776,346	9,406,733	**10,182,005**

note: The financial figures for the year 2007 to 2010 were extracted from the 2010 annual report.