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

ANNUAL REPORT 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Rumin *(Chairman)*
Mr. Wu Xuemin *(General Manager)*
Mr. Dai Yan
Mr. Zhang Wenli
Mr. Wang Zhiyong
Mr. Tuen Kong, Simon
Dr. Cui Di
Mr. Hao Feifei

Non-Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORIZED REPRESENTATIVES

Mr. Wu Xuemin
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

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

Telephone : (852) 2162 8888
Facsimile : (852) 2311 0896
E-mail : ir@tianjindev.com
Website : www.tianjindev.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

882.HK

PRINCIPAL BANKERS

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

Business Structure

Tianjin Development Holdings Limited

Utilities

Electricity
Water
Heat and Thermal Power

Hotel

Courtyard by Marriott Hong Kong

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

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

Business Structure

UTILITIES

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

HOTEL

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong

ELECTRICAL AND MECHANICAL

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

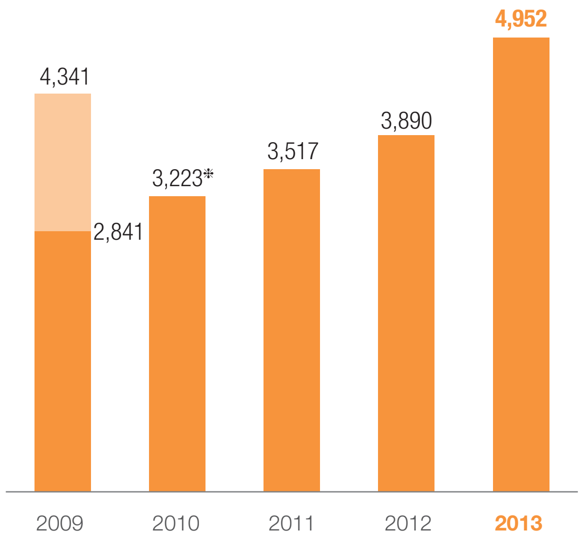
STRATEGIC AND OTHER INVESTMENTS

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

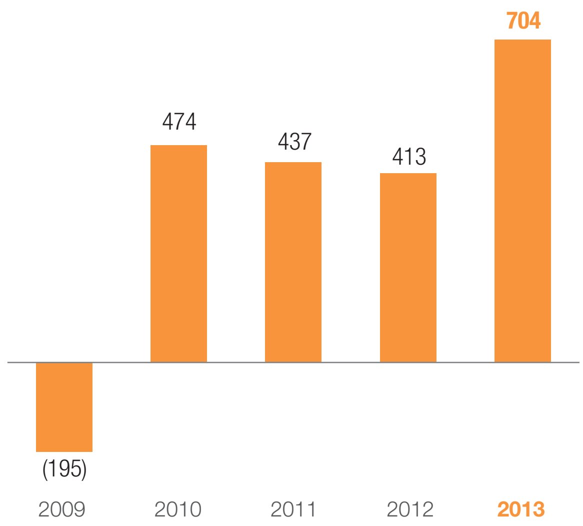
note: The above percentages represent effective equity interest in respective companies or group of companies.

Financial Highlights

Turnover HK$ million
(for the year ended 31 December)



Profit (Loss) Attributable to Owners of the Company HK$ million
(for the year ended 31 December)



Results of the operation of toll roads and port services were separately presented from the continuing operations in 2009.

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

Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

for the year ended 31 December

Turnover

	2013 HK$ million	2012 HK$ million	Changes (%)
Utilities	**3,832**	3,772	2
Hotels (note 1)	**118**	118	—
Electrical and mechanical (note 2)	**1,002**	—	100
	4,952	3,890	27

Profit (Loss) Attributable to Owners of the Company

	2013 HK$ million	2012 HK$ million	Changes HK$ million
Utilities	**66**	25	41
Hotels	**18**	8	10
Electrical and mechanical (note 2)	**11**	—	11
Winery (note 3)	**—**	(111)	111
Port Services	**170**	148	22
Elevators and Escalators	**318**	346	(28)
Corporate and others	**121**	(3)	124
	704	413	291

notes:

1. The hotel property in Tianjin has been disposed of in August 2013.
2. As the acquisitions were completed on 31 December 2012, their segment results as subsidiaries are not presented for the year ended 31 December 2012.
3. As Dynasty has not published any financial information for the year ended 31 December 2013, the Group has not equity accounted for its share of result of Dynasty.

Chairman's Statement

Mr. Yu Rumin
Chairman

PROFIT FOR THE YEAR 2013

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2013 was approximately HK$704,400,000, representing an increase of approximately 70.6% compared to last year's HK$413,000,000. The Board recommends the payment of a final dividend of HK6.63 cents per share for the year ended 31 December 2013.

BUSINESS OVERVIEW

In 2013, the Company's business has performed well and achieved good results. The hotel property in Tianjin had been disposed of during the year and a disposal gain of approximately HK$171,900,000 was recorded. With the implementation of the integration plan, the Company is expected to lay a more stable foundation through optimizing its earning structure as well as beefing up its financial strength and at the same time to further enhance the Company's corporate value.

Utility sector delivered a better-than-expected result against the continued impact of policy change on government supplemental income. The good performance was mainly due to comprehensive cost control and tariff adjustments.

Hotel Courtyard by Marriott in Hong Kong maintained its good performance thanks to the growing business visitors and stable room rates. During the year, the average occupancy rate was approximately 87%.

Electrical and mechanical business was in line with our expectation and recorded revenue of approximately HK$1,002,500,000 and a profit of approximately HK$19,800,000. The results included one-off plant relocation compensation from the government, which has partially offset the operating loss. As a result of the lower level of activities in hydroelectric industry and the reschedule of certain construction phases of hydroelectric projects as well as certain cost estimates adjustments relating to construction contracts, the electrical and mechanical business will face more challenges.

Chairman's Statement

BUSINESS OVERVIEW (Cont'd)

During the year, the Company has maintained its strategic investment portfolio. Apart from Dynasty Fine Wines Group Limited, the profit contributions from Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited have met our expected targets.

CORPORATE GOVERNANCE

The Board has during the year adopted a board diversity policy and revised the terms of reference of the nomination committee. The Company considers that Board members with an appropriate balance of skills, experience, knowledge, independence and diversity could enable innovation and enhance the quality of Board decision-making. The Company believes that having good corporate governance in place is the key to success and continued growth of the Company.

OUTLOOK

Looking forward to 2014, the European and American economies are heading to the direction of recovery although at slow paces. Low interest rate environment is likely to persist and will help these countries continue to improve their economies. With the implementation of various reform measures, the Chinese economy is expected to grow with more focus on medium to long term sustainability. In the competitive and challenging environment, our Company with solid business and financial strength will be capable of dealing with the challenges ahead and will accelerate the pace of business integration. We feel confident for the future.

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

Yu Rumin
Chairman

Hong Kong, 27 March 2014

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 2013, revenue from the Electricity Company was approximately HK$2,359.1 million, an increase of 2.9% from HK$2,292.9 million last year. Profit decreased 30% to approximately HK$28 million from HK$40 million last year. The decline was primarily due to the decrease in gross profit margin as a result of the rising of operating costs and wages. These were partially offset by the reduction in finance costs as the bank borrowings had been fully repaid by end of 2012. The total quantity of electricity sold for the year was approximately 2,688,862,000 kWh, representing an increase of 1.6% over last year.

Water

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

In 2013, the Water Company reported revenue of approximately HK$387.2 million representing an increase of 9% over last year and recorded loss of approximately HK$4.5 million, a significant improvement from the loss of HK$51.2 million in 2012. The reduction in loss was a result of the improvement of operating margins and the receipt of investment income. The total quantity of water sold for the year was approximately 49,638,000 tonnes, representing an increase of 6.3% over last year.

Management Discussion and Analysis

Heat and Thermal Power

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

In 2013, the Heat & Power Company reported revenue of approximately HK$1,085.8 million representing a decrease of 3% and recorded profit of approximately HK$45.4 million, an increase of 32% compared to 2012. The increase in profit was primarily due to the reduction in finance costs as the bank borrowings had been fully repaid during the year. The total quantity of steam sold for the year was approximately 4,036,000 tonnes, representing a decline of 4.3% 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 2013, Courtyard Hotel reported revenue of approximately HK$117.4 million, an increase of 0.3% from HK$117.1 million last year. Profit amounted to approximately HK$22.9 million, a decrease of 2.1% from HK$23.4 million in 2012. The average occupancy rate was approximately 87%, one percentage point improvement over last year.

Hotel Property in Tianjin

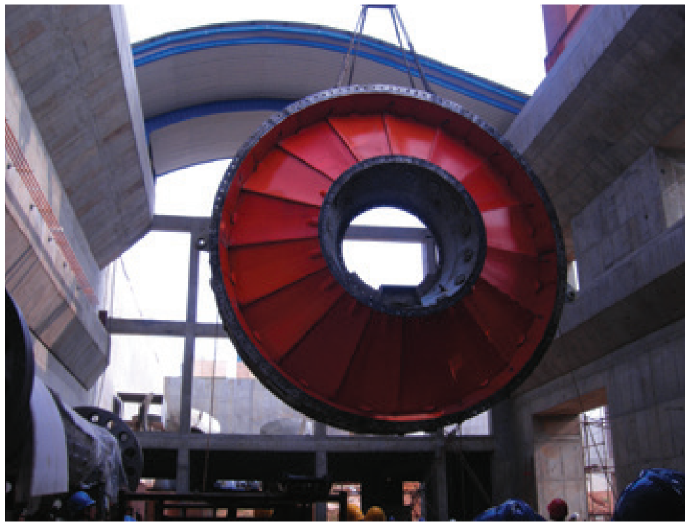
On 28 June 2013, the Group had entered into a sale and purchase agreement to dispose of its entire interest in Loyal Right Limited, a sole shareholder of Lethia Limited which in turn owns 75% equity interest in Tianjin First Hotel Ltd. (天津第一飯店有限公司) ("First Hotel"), for a cash consideration of RMB351,953,000 (equivalent to approximately HK$445,510,000). The principal asset held by First Hotel is the hotel property in Tianjin. Prior to completion of the disposal, it reported a loss of approximately HK$8.4 million, which was mainly the expenses and depreciation incurred during the year.

The disposal was completed on 30 August 2013 and the Group recognised a gain of approximately HK$171.9 million. Details of the transaction were set out in the Company's announcement dated 28 June 2013.

Management Discussion and Analysis

Electrical and Mechanical

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



In 2013, electrical and mechanical segment recorded revenue of approximately HK$1,002.5 million and a profit of approximately HK$19.8 million. The results included a net gain on relocation compensation from local government that partially offset the operating loss which was primarily attributable to the lower level of activities in hydroelectric industry, the reschedule of certain construction phases of hydroelectric projects as well as certain construction contracts cost estimate adjustments during the year.

Strategic and Other Investments

Winery

Trading in the shares of Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) has been suspended since 22 March 2013. As set out in the subsequent announcements published by Dynasty, the internal investigation conducted on certain transactions of Dynasty has not yet been completed and as a result, Dynasty has not published any financial information for the years ended 31 December 2013 and 2012 as at the date that these consolidated financial statements were approved by the Board. Accordingly, for the preparation of the consolidated financial statements, the Group was not in a position to (i) equity account for its share of results of Dynasty and share of net assets of Dynasty as at 31 December 2013; and (ii) assess whether any impairment of its interest in Dynasty was necessary.

Management Discussion and Analysis

Port Services

During the year, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) increased by 23% to approximately HK$22,108.8 million and profit attributable to owners of Tianjin Port was approximately HK$811 million, representing an increase of 14.9% over last year.

Tianjin Port contributed to the Group a profit of approximately HK$170.3 million, representing an increase of 14.9% as compared with 2012.

Elevators and Escalators

During the year, the revenue of Otis Elevator (China) Investment Company Limited ("Otis China") amounted to approximately HK$19,680.6 million, representing an increase of 17.9% over last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$317.6 million, representing a decrease of 8% over 2012.

Investment in Binhai Investment Company Limited

During the year, the Group had 8.28% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 2886). As at 31 December 2013, the market value of the Group's interest in Binhai Investment was approximately HK$235.7 million (2012: approximately HK$218.3 million) and the unrealised fair value gain of approximately HK$17.4 million (2012: HK$24.8 million) was recognised in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement ("Agreement") with TEDA Hong Kong Property Company Limited ("TEDA HK"), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group agreed to lend its entire shareholding of Binhai Investment ("Shares", being the 8.28% equity interest in Binhai Investment) in order to allow TEDA HK to use the Shares and the voting rights thereto during the term of the Agreement. During the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the Shares.

Management Discussion and Analysis

PROSPECT

Looking forward to 2014, the European and American economies are heading to the direction of recovery although at slow paces. Low interest rate environment is likely to persist and will help these countries continue to improve their economies. With the implementation of various reform measures, the Chinese economy is expected to grow with more focus on medium to long term sustainability. In the competitive and challenging environment, our Company with solid business and financial strength will be capable of dealing with the challenges ahead and will accelerate the pace of business integration. We feel confident for the future.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2013, the Group's total cash on hand and total bank borrowings stood at approximately HK$4,800.4 million and approximately HK$2,145.1 million respectively (31 December 2012: HK$4,222.1 million and HK$2,559.4 million respectively) of which all bank borrowings (2012: approximately HK$565.9 million) will mature within one year.

Of the total HK$2,145.1 million bank borrowings outstanding as at 31 December 2013, HK$2,000 million were subject to floating rates with a spread of 1.4% over HIBOR of relevant interest periods. The remaining RMB115 million (equivalent to approximately HK$145.1 million) of bank borrowings was fixed-rate debts with annual interest rates at 3.12% to 6.80%. As at 31 December 2013, 93% (31 December 2012: 78%) of the Group's total bank borrowings was denominated in HK dollars, 7% (31 December 2012: 22%) was denominated in Renminbi.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 20% as at 31 December 2013 (2012: approximately 25%).

On 10 December 2013, the Company entered into a facility agreement with a syndicate of banks in respect of a term loan facility of HK$2,550 million for a period up to 60 months unless not extended by the lenders at the 36th month from the date of the facility agreement. On 30 January 2014, HK$2,000 million was utilized to repay the prior term loan and the remaining proceeds has been applied to finance the general working capital requirements of the Company.

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

EMPLOYEES AND REMUNERATION POLICIES

At the end of the year, the Group had a total of approximately 2,800 employees of which approximately 440 were management personnel and 900 were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 31 December 2013, restricted bank balance of approximately HK$212.3 million was pledged against notes payable of approximately HK$357 million.

Management Discussion and Analysis

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK6.63 cents per share for the year ended 31 December 2013 (2012: Nil) to the shareholders whose names appear on the Company's register of members on 13 June 2014. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 5 June 2014, the final dividend will be paid on or about 14 July 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 June 2014 (Tuesday) to 5 June 2014 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 30 May 2014 (Friday).

The register of members of the Company will be closed from 11 June 2014 (Wednesday) to 13 June 2014 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 June 2014 (Tuesday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Rumin, aged 64, 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. Mr. Yu graduated from Shanghai Haiyun College in 1975 and obtained a Master's Degree in International Transport Engineering Management. He joined the Tianjin Port Authority in 1986 and had held positions as the assistant to the head, the Deputy Head, the Executive Deputy Head and the Head of the Tianjin Port Authority. 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 1996 to 2002. Subsequent to the reorganisation of Tianjin Port Authority in July 2004 to 2013, he was the Vice Chairman, Chief Executive Officer and Chairman of Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司). Mr. Yu was the Chairman of Tianjin Port Holdings Co., Ltd. (天津港股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange from June 2004 to April 2010. Mr. Yu was an Executive Director and the Chairman of Tianjin Port Development Holdings Limited (Stock Code: 3382) until 27 March 2014. He has extensive experience in port management for over 28 years.

Mr. WU Xuemin, aged 60, was appointed as the General Manager of the Company on 3 August 2009, he is also a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wu was appointed as an Executive Director and Deputy General Manager on 31 January 2008. Mr. Wu is also 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. He was a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828) until 1 October 2012. Mr. Wu worked in foreign trade corporations for many years and is experienced in foreign economy and import and export business.

Mr. DAI Yan, aged 61, was appointed as an Executive Director of the Company in July 2006 and is currently the Executive Deputy General Manager of the Company. He is also a Director and Executive Deputy General Manager of Tsinlien Group Company Limited. Mr. Dai is a senior economist. He graduated from University of International Business and Economics in 1980. In 1998, he completed the postgraduate course in Law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course in International Trade in Tianjin University of Finance and Economics, respectively. From 1988 to 2002, he acted as the Deputy General Manager of Tianjin Garments Import & Export Corporation; the Deputy General Manager of Tianjin Garments Associate Corporation; the Director, Deputy General Manager and General Manager of Tianjin Zhong Fu International Group Company Limited and acted as the Director and Deputy General Manager of Tianjin Textile (Holdings) Group Limited. He is currently an Executive Director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a Non-Executive Director of Binhai Investment Company Limited (Stock Code: 2886). Mr. Dai has solid experience in management for over 25 years.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Cont'd)

Mr. ZHANG Wenli, aged 59, 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 from 1996 to 2000. Since July 2000, he was appointed as the general manager and chairman of Tianjin BENEFO Machinery & Electric Holding Group Ltd. (now known as Tianjin BENEFO Machinery Equipment Group Co., 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 23 years.

Mr. WANG Zhiyong, aged 41, was appointed as an Executive Director of the Company on 27 October 2009 and Deputy General Manager of the Company on 14 May 2010. He is also a member of the Investment Committee of the Company. He is currently a director and deputy general manager of Tsinlien Group Company Limited and a non-executive director of Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265). Mr. Wang was formerly the manager of the Finance Department, deputy general manager and general manager of Tsinlien Group (Tianjin) Asset Management Company Limited (津聯集團(天津)資產管理有限公司) ("Tsinlien Group (Tianjin) Asset"), a wholly-owned subsidiary of Tsinlien Group Company Limited. 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.

Mr. TUEN Kong, Simon, aged 51, was appointed as an Executive Director of the Company on 27 March 2013. He also serves as Deputy General Manager, Chief Financial Officer and Company Secretary of the Company. Mr. Tuen graduated from the Hong Kong Polytechnic University with a Master Degree in Business Management. Before joining the Company, he had held various positions in a number of listed companies and is experienced in corporate finance and treasury management. Starting with Ernst & Young in 1989 and then Deloitte Touche Tohmatsu in 1991 as a tax consultant, he spent 10 years afterwards in corporate banking, direct investment, merger and acquisition and company secretarial related works and held executive positions as vice president and director of finance and treasury. From 2001 to 2006, he served as Deputy General Manager of the Company. Prior to re-joining the Company in October 2009, he worked as a consultant for China investment with MTR Corporation Limited.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Cont'd)

Dr. CUI Di, aged 48, was appointed as an Executive Director of the Company on 1 December 2013. Dr. Cui graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1988, and obtained a Master's Degree in Economics in 2002 and a Doctoral Degree in Economics from Nankai University in 2009. She joined the Company since July 2009 and has served as deputy general manager of Tianjin Development Assets Management Co., Ltd., a wholly-owned subsidiary of the Company, and later concurrently as general manager of Tsinlien Group (Tianjin) Asset Management Company Limited. Prior to joining the Company, she has worked in various roles including deputy general manager of 天津立達(集團)進出口有限公司 (Tianjin Leadar (Group) Import & Export Co., Ltd.), deputy commissioner for treasury of 天津立達(集團)有限公司 (Tianjin Leadar (Group) Co., Ltd.) and was with Tianjin Liho Group as assistant to general manager. Dr. Cui is currently a deputy general manager of Tsinlien Group Company Limited. She has extensive experience in corporate management, finance and trading.

Mr. HAO Feifei, aged 56, was appointed as an Executive Director of the Company on 30 January 2014. Mr. Hao is a senior engineer. He is the present chairman, general manager and executive director of Dynasty Fine Wines Group Limited (Stock Code: 828). Mr. Hao graduated from the Faculty of Chinese Medicine in Heilongjiang Business College with a Bachelor of Engineering Degree in 1982, major in Chinese Medicine and Pharmaceutical. Mr. Hao was engaged by Tianjin Shin Poong Pharmaceutical Co., Ltd. as deputy general manager from 1994 to 1997. He was the head of Tianjin No. 6 Pharmaceutical Plant from 1997 to 1999, and the deputy general manager of Tianjin Medical Supplies Group Co., Ltd. from 1999 to 2000. From April 2000 to August 2012, he served as the deputy general manager of 天津市醫藥集團有限公司 (Tianjin Pharmaceutical Group Co., Ltd.), the intermediate controlling shareholder of the Company. During the period from November 2006 to August 2012, he concurrently acted as the chairman of Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, a company whose shares are listed on the Shanghai Stock Exchange and the Singapore Stock Exchange. Since August 2012, he has been the general manager of Tianjin Agricultural Cultivation Group Company. Mr. Hao has solid experience in corporate management for over 30 years.

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, Edward, *BBS*, aged 64, 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 the vice patron of The Community Chest of Hong Kong, the deputy chairman of The Open University of Hong Kong and a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee, Honorary Council Member of the Hong Kong Institute of Directors Limited. Mr. Cheung was a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance until 31 August 2013, a member of the Board of Review (Inland Revenue Ordinance) until 31 December 2010, the deputy chairman of the Hong Kong Institute of Directors Limited until 30 June 2010, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS (Cont'd)

Dr. CHAN Ching Har, Eliza, *JP, BBS, LL.D. (Hon)*, aged 57, 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 in association with Zhong Lun Law Firm. 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, 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 serves as Chairman of Tseung Kwan O Hospital, Chairman of Pensions Appeal Panel, Member of The Medical Council of Hong Kong, Member of Hospital Governing Committee of Queen Elizabeth Hospital, Member of the Administrative Appeals Board, Investigation Panel Member of the Hong Kong Institute of Certified Public Accountants and the Legal Advisor to The Hong Kong Chinese Enterprises Association. Dr. Chan is the Chairman of the Hong Kong CPPCC (Provincial) Members Association Ltd., Chairman of the Hong Kong CPPCC (Provincial) Members Association Foundation Ltd., Honorary President of The Hong Kong China Chamber of Commerce, a Governor of The Canadian Chamber of Commerce in Hong Kong and a Member of the Board of the Hong Kong Science and Technology Park Corporation. She was also formerly a Member of the Hong Kong Hospital Authority, Chairman of Kowloon Hospital, Chairman of Hong Kong Eye Hospital, Member of the Hong Kong Public Service Commission, Member of the Board of Education, Member of the Hong Kong Examination and Assessment Authority, Council Member of The Hong Kong University of Science and Technology and Member of the Hong Kong Immigration Tribunal. She served as a Non-Executive Director of China Aerospace International Holdings Limited (Stock Code: 31) until 26 March 2012, a company whose shares are currently listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 86, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a postgraduate diploma from Imperial College of Science and Technology, London. He has been awarded Honorary Doctoral Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Open University of Hong Kong, and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers, United Kingdom and the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. He is also an authorized person and registered structural engineer. Dr. Cheng is a former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a Standing Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC) and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Dr. Cheng is currently an independent non-executive director of Wing Hang Bank, Limited (Stock Code: 302), Hang Lung Group Limited (Stock Code: 10), Hang Lung Properties Limited (Stock Code: 101) and Agile Property Holdings Limited (Stock Code: 3383), all companies are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, ASA*, aged 64, 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, the Remuneration Committee and the Nomination Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also a Fellow of CPA Australia and an associate of The Taxation Institute of Hong Kong. Mr. Mak has over 38 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. 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 and Tax Specialization Development Committee of Hong Kong Institute of Certified Public Accountants. 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 also served as an independent non-executive director of Hsin Chong Construction Group Limited (Stock Code: 404) until 24 December 2013, a company whose shares are listed on the Stock Exchange.

Ms. NG Yi Kum, Estella, aged 56, 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. From January 2008 to April 2014, Ms. Ng was 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 until November 2013. Ms. Ng is also an independent non-executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and China Power New Energy Development Company Limited (Stock Code: 735), all companies are listed on the Stock Exchange. She is also an independent non-executive director of China Mobile Games and Entertainment Group Limited, a company whose shares are listed by way of American Depositary Shares on the Nasdaq Global Market in the United States. Ms. Ng also served as an independent non-executive director of Cypress Jade Agricultural Holdings Limited (Stock Code: 875) until 7 June 2013, a company whose shares are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. WONG Shiu Hoi, Peter, aged 73, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is currently an overseas business advisor of Haitong Securities Company Limited, the immediate past chairman and council member of The Hong Kong Institute of Directors as well as a director of the Hong Kong Securities and Investment Institute. He is also an independent non-executive director of High Fashion International Limited (Stock Code: 608), a company whose shares are listed on the Stock Exchange. Mr. Wong was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited (Stock Code: 665) until 29 April 2011, a company whose shares are listed on the Stock Exchange.

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 64, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Dr. Loke holds a Master of Business Administration Degree from the Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. He is a Fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Hong Kong Institute of Chartered Secretaries. Dr. Loke has over 38 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He is currently the company secretary of Minth Group Limited (Stock Code: 425) and serves as an independent non-executive director of Matrix Holdings Limited (Stock Code: 1005), VODone Limited (Stock Code: 82), Sino Distillery Group Limited (Stock Code: 39), China Fire Safety Enterprise Group Limited (Stock Code: 445), Winfair Investment Company Limited (Stock Code: 287), SCUD Group Limited (Stock Code: 1399), Zhong An Real Estate Limited (Stock Code: 672), Chiho-Tiande Group Limited (Stock Code: 976) and China Household Holdings Limited (Stock Code: 692), all of these companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. SHI Jing, aged 43, Assistant to General Manager of the Company. Ms. Shi graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1992 and a Master's Degree in Economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. Shi joined the Company since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd. and general manager of audit and legal affairs department of the Company. Prior to joining the Company, she was a commissioner of finance of Ting Hsin International Group (頂新國際集團), vice president of Fengyuan Consulting (Shanghai) Co., Ltd. (豐元諮詢(上海)有限公司) and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. Shi is currently the assistant to general manager of Tsinlien Group Company Limited and a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828).

Mr. CHONG Ching Hei, aged 41, Financial Controller of the Company. Mr. Chong graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 1999 and has extensive experience in auditing and corporate financial services. Mr. Chong previously worked for Deloitte Touche Tohmatsu for over seven years. During the period from 2004 to 2006, he served as a financial controller and company secretary of Coastal Rapid Transit Company Limited, a wholly-owned subsidiary of the Company. Prior to re-joining the Company in July 2013, Mr. Chong was the financial controller and company secretary of Jianhua Concrete Pile Holdings Limited. He also served as the financial controller and company secretary of China Water Property Group Limited (Stock Code: 2349) until March 2011.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best practices. This Corporate Governance Report describes the way the Company has applied the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Throughout the year, the Company has complied with the code provisions as set out in the CG Code except for the following deviations:

The code provision A.1.1 of the CG Code 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 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 code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other pre-arranged engagement, Mr. Wong Shiu Hoi, Peter, independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 30 May 2013.

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

THE BOARD OF DIRECTORS

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

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

The Company has formalized the functions reserved to the Board and those delegated to management. It reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

Corporate Governance Report

THE BOARD OF DIRECTORS (Cont'd)

The Board is responsible for performing the corporate governance duties and has adopted a set of corporate governance guidelines with reference to the CG Code. During the year, the Board has adopted a board diversity policy, all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The written terms of reference of the Nomination Committee has also been revised whereby the Nomination Committee is responsible for monitoring and reviewing the board diversity policy as appropriate.

As at 31 December 2013, the Board comprises fifteen members consisting of eight executive directors and seven non-executive directors of whom five are independent non-executive directors. The details of the composition of the Board are as follows:

Executive Directors

Mr. Yu Rumin *(Chairman)*	
Mr. Wu Xuemin *(General Manager)*	
Mr. Dai Yan	
Mr. Zhang Wenli	
Mr. Wang Zhiyong	
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)
Dr. Cui Di	(appointed on 1 December 2013)
Dr. Wang Weidong	(resigned on 30 November 2013)
Mr. Bai Zhisheng	(resigned on 30 January 2014)

Non-Executive Directors

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

Independent Non-Executive Directors

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

Corporate Governance Report

THE BOARD OF DIRECTORS (Cont'd)

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

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

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

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

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

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

Board Proceedings

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

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

Corporate Governance Report

Board Proceedings (Cont'd)

In 2013, 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 *(Chairman)*		2/3
Mr. Wu Xuemin *(General Manager)*		3/3
Mr. Dai Yan		3/3
Mr. Zhang Wenli		2/3
Mr. Wang Zhiyong		3/3
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)	3/3
Dr. Cui Di	(appointed on 1 December 2013)	0/0
Dr. Wang Weidong	(resigned on 30 November 2013)	1/3
Mr. Bai Zhisheng	(resigned on 30 January 2014)	1/3
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
Mr. Wong Shiu Hoi, Peter		2/3
Dr. Loke Yu		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

Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. In September 2013, an in-house training session was conducted by Messrs. Woo, Kwan, Lee & Lo for directors on topics including regulatory updates and case studies on corporate governance. Further, monthly updates on the Company's performance, position and prospects are also provided. The types of continuous professional development activities undertaken by the directors during the year are summarized as below:

Name of Director		Types of Continuous Professional Development Activities
Executive Directors		
Mr. Yu Rumin *(Chairman)*		A
Mr. Wu Xuemin *(General Manager)*		A
Mr. Dai Yan		A
Mr. Zhang Wenli		A
Mr. Wang Zhiyong		A
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)	A & B
Dr. Cui Di	(appointed on 1 December 2013)	N/A
Dr. Wang Weidong	(resigned on 30 November 2013)	C
Mr. Bai Zhisheng	(resigned on 30 January 2014)	C
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		B
Dr. Chan Ching Har, Eliza		B
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		B & C
Mr. Mak Kwai Wing, Alexander		B
Ms. Ng Yi Kum, Estella		B
Mr. Wong Shiu Hoi, Peter		B
Dr. Loke Yu		A

Notes:

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

Corporate Governance Report

Board Committees

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

Remuneration Committee

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

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

In 2013, the Remuneration Committee held three meetings and also dealt with matters by way of resolutions in writing. During the meetings, the remuneration policy, remuneration packages and bonus arrangements of the directors and senior management have been discussed and approved. The attendance of committee members is recorded below:

Name of Director	Attendance of Remuneration Committee Meetings
Dr. Cheng Hon Kwan *(Chairman)*	3/3
Mr. Mak Kwai Wing, Alexander	3/3
Mr. Wu Xuemin	3/3

The Remuneration Committee held a meeting on 6 January 2014. At the meeting, bonuses for the Company's directors, senior management and employees for the year ended 31 December 2013 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 2013 are set out in Note 11 and Note 33 to the financial statements respectively.

Audit Committee

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

Corporate Governance Report

Audit Committee (Cont'd)

Set out below is a summary of work performed by the Audit Committee in 2013:

— reviewed the financial statements for the year ended 31 December 2012 and for the six months ended 30 June 2013;

— reviewed internal control matters with the external consultant;

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

— considered 2013 audit fees and audit work.

The Audit Committee held two meetings in 2013. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also discussed material uncertainties which may be brought about by the global economic crisis, reviewed the internal audit function of the Company, and reported a summary of their work to the Board for discussion. The attendance of committee members is recorded below:

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

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 transaction by way of resolutions in writing. Details of the transaction may be referred to the Company's announcement dated 28 June 2013.

Nomination Committee and Appointment of Directors

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

Corporate Governance Report

Nomination Committee and Appointment of Directors (Cont'd)

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, make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and review the board diversity policy as appropriate. A written terms of reference, which describes the authority and duties of the Nomination Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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 2013.

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

Corporate Governance Report

External Auditor

Deloitte Touche Tohmatsu ("Deloitte") has been appointed as independent auditors of the Group. The Audit Committee has reviewed Deloitte's proposal in respect of their scope of work and fees for the audit of 2013. 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 2013 and also reviewed the 2013 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$5,170,000 and non-audit services in relation to consultancy and review reporting services amounted to approximately HK$1,350,000.

INTERNAL CONTROL

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

The internal audit report prepared by RSM Nelson Wheeler in accordance with the risk-based audit plan for the year of 2013 has been reviewed and discussed at the Audit Committee meeting held on 19 March 2014. On 27 March 2014, the Board together with the senior management have reviewed, considered and discussed all the findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Company has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the review.

GOING CONCERN

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

COMMUNICATION WITH SHAREHOLDERS

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

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

The general meetings provide a useful forum for the shareholders of the Company to express their views and comments and the shareholders are encouraged to attend the general meetings of the Company to exchange views with the Board. The Chairman, directors, board committees' members and external auditor, where appropriate, are available to answer questions at the meetings. The 2013 annual general meeting of the Company was held on 30 May 2013 and detailed procedures for conducting a poll has been explained by the Chairman during the meeting. The attendance of each Board member is recorded below:

Name of Director		Attendance of General Meeting
Executive Directors		
Mr. Yu Rumin *(Chairman)*		1/1
Mr. Wu Xuemin *(General Manager)*		1/1
Mr. Dai Yan		1/1
Mr. Zhang Wenli		0/1
Mr. Wang Zhiyong		0/1
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)	1/1
Dr. Cui Di	(appointed on 1 December 2013)	0/0
Dr. Wang Weidong	(resigned on 30 November 2013)	0/1
Mr. Bai Zhisheng	(resigned on 30 January 2014)	0/1
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		1/1
Dr. Chan Ching Har, Eliza		1/1
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi Kum, Estella		1/1
Mr. Wong Shiu Hoi, Peter		0/1
Dr. Loke Yu		1/1

Corporate Governance Report

Procedures for Convening of Extraordinary General Meeting on Requisition

Pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders holding at the date of the deposit of the requisition at least 5% of the total voting rights of all shareholders having a right to vote at general meetings, may request the Company to convene an extraordinary general meeting ("EGM"). The request: (i) must state the general nature of the business to be dealt with at the EGM; (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the EGM; (iii) may consist of several documents in like form; (iv) may be sent to the Company in hard copy form at the registered office of the Company, or in electronic form via email at ir@tianjindev.com; and (v) must be authenticated by the person or persons making it.

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

Procedures for Putting Forward Proposals at General Meetings

Pursuant to sections 580 and 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders may request the Company to circulate a resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (a) shareholders representing at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates; or (b) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates.

The request: (i) may be sent to the Company in hard copy form at the registered office of the Company, or in electronic form via email at ir@tianjindev.com; (ii) must identify the resolution of which notice is to be given; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company no later than 6 weeks before the annual general meeting to which the request relates, or if later, the time at which notice is given of that annual general meeting.

CONSTITUTIONAL DOCUMENT

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 43 to 45 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 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 47, 48 and 49 to the consolidated financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 46.

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

The directors of the Company recommend the payment of a final dividend of HK6.63 cents per share for the year ended 31 December 2013 (2012: Nil). Details are set out in Note 13 to the consolidated financial statements.

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 144.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 34 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

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 15 to the consolidated financial statements.

SHARE CAPITAL

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

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2013 are set out in Note 35 to the consolidated 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 18 February 2011, the Company entered into a facility agreement (the "Facility Agreement 2011") with a syndicate of banks (the "Banks") in respect of a HK$2,000 million term loan facility (the "Facility") for a period up to 60 months unless not extended by the Banks at the 36th month from the date of the Facility Agreement 2011.

Pursuant to the Facility Agreement 2011, it will be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien Group Company Limited ("Tsinlien").

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

The Facility had been repaid in full on 30 January 2014.

(ii) On 10 December 2013, the Company entered into a facility agreement (the "Facility Agreement 2013") with a syndicate of banks as lenders (the "Lenders") in respect of a HK$2,550 million term loan facility for a period up to 60 months unless not extended by the Lenders at the 36th month from the date of the 2013 Facility Agreement.

Pursuant to the Facility Agreement 2013, 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 Lenders may by notice to the Company (a) cancel the total commitments or any part thereof; (b) declare that the loan or any part thereof together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan or any part thereof be payable 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 2013.

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. Zhang Wenli	
Mr. Wang Zhiyong	
Mr. Tuen Kong, Simon	(appointed on 27 March 2013)
Dr. Cui Di	(appointed on 1 December 2013)
Mr. Hao Feifei	(appointed on 30 January 2014)
Dr. Wang Weidong	(resigned on 30 November 2013)
Mr. Bai Zhisheng	(resigned on 30 January 2014)

Non-Executive Directors

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

Independent Non-Executive Directors

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

In accordance with Article 92 of the Company's Articles of Association, Dr. Cui Di and Mr. Hao Feifei will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Mr. Wu Xuemin, Mr. Zhang Wenli, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan and Ms. Ng Yi Kum, Estella will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACT

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

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, 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 total issued shares
Mr. Yu Rumin	5,200,000	0.49%
Mr. Wu Xuemin	10,600,000	0.99%
Mr. Dai Yan	10,550,000	0.99%
Mr. Zhang Wenli	1,600,000	0.15%
Mr. Wang Zhiyong	8,600,000	0.81%
Mr. Tuen Kong, Simon	8,100,000	0.76%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	1,100,000	0.10%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	1,100,000	0.10%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%
Dr. Loke Yu	100,000	0.01%
Mr. Bai Zhisheng (note 3)	1,600,000	0.15%

notes:

1. All interests are held in the capacity as a beneficial owner.
2. All interests stated above represent long positions.
3. Mr. Bai Zhisheng resigned as director of the Company with effect from 30 January 2014.
4. 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 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 total issued shares
Mr. Yu Rumin	Tianjin Port	Personal interest	Beneficial owner	3,450,000	0.06%
Mr. Dai Yan	Tianjin Port	Personal interest	Beneficial owner	1,650,000	0.03%
Mr. Bai Zhisheng (note)	Dynasty	Personal interest	Beneficial owner	2,300,000	0.18%

note:

Mr. Bai Zhisheng resigned as director of Dynasty with effect from 29 January 2014.

Save as disclosed above, as at 31 December 2013, 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.

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.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

(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 27,812,012 shares, representing approximately 2.61% 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.

(e) Minimum period for options to be held

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

(f) Period and payment on acceptance of options

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

(g) Basis of determining the exercise price

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

(h) Life of the Scheme

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

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

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

	Date of Grant	Exercise Price per share HK$	Number of share options As at 1 January 2013	During the year Granted (note 1)	During the year Exercised	During the year Lapsed	During the year Cancelled	As at 31 December 2013	Exercise Period
Directors									
Yu Rumin	19/12/2007	8.040	1,000,000	–	–	–	–	1,000,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	2,000,000	–	–	–	–	2,000,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	800,000	–	–	–	–	800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	800,000	–	–	–	–	800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	600,000	–	–	–	600,000	20/12/2013 – 24/05/2017
Wu Xuemin	16/12/2009	5.750	1,800,000	–	–	–	–	1,800,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	3,200,000	–	–	–	–	3,200,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	3,200,000	–	–	–	–	3,200,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	2,400,000	–	–	–	2,400,000	20/12/2013 – 24/05/2017
Dai Yan	19/12/2007	8.040	900,000	–	–	–	–	900,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	1,400,000	–	–	–	–	1,400,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	3,000,000	–	–	–	–	3,000,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	3,000,000	–	–	–	–	3,000,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	2,250,000	–	–	–	2,250,000	20/12/2013 – 24/05/2017
Zhang Wenli	19/12/2007	8.040	300,000	–	–	–	–	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	500,000	–	–	–	–	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	300,000	–	–	–	–	300,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	200,000	–	–	–	200,000	20/12/2013 – 24/05/2017
Wang Zhiyong	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	2,800,000	–	–	–	–	2,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	2,100,000	–	–	–	2,100,000	20/12/2013 – 24/05/2017
Tuen Kong, Simon	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	2,600,000	–	–	–	–	2,600,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,600,000	–	–	–	–	2,600,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	2,000,000	–	–	–	2,000,000	20/12/2013 – 24/05/2017
Cui Di	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	800,000	–	–	–	–	800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	1,800,000	–	–	–	1,800,000	20/12/2013 – 24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

	Date of Grant	Exercise Price per share HK$	Number of share options: As at 1 January 2013	During the year: Granted (note 1)	During the year: Exercised	During the year: Lapsed	During the year: Cancelled	As at 31 December 2013	Exercise Period
Directors									
Cheng Hon Kwan	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	–	–	–	–	300,000	03/12/2010 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Wong Shiu Hoi, Peter	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Loke Yu	20/12/2013	5.532	–	100,000	–	–	–	100,000	20/12/2013 – 24/05/2017
Wang Weidong (note 2)	19/12/2012	4.060	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
Bai Zhisheng (note 3)	19/12/2007	8.040	300,000	–	–	–	–	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	500,000	–	–	–	–	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	300,000	–	–	–	–	300,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	200,000	–	–	–	200,000	20/12/2013 – 24/05/2017
Continuous contract employees (note 4)	07/11/2011	3.560	2,100,000	–	–	600,000	–	1,500,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	1,700,000	–	–	–	–	1,700,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	–	1,500,000	–	–	–	1,500,000	20/12/2013 – 24/05/2017
Total			47,700,000	13,750,000	–	600,000	–	60,850,000	

notes:

1. Pursuant to the Share Option Scheme, a total of 13,750,000 share options were granted on 20 December 2013 and accepted by the grantees on the same day, with an exercise price of HK$5.532 and are exercisable from 20 December 2013 to 24 May 2017. The closing price of the shares immediately before the date on which these share options were granted was HK$5.320.

2. The share options of Dr. Wang Weidong lapsed on 28 February 2014 due to his resignation as director of the Company on 30 November 2013.

3. The share options of Mr. Bai Zhisheng will lapse on 30 April 2014 due to his resignation as director of the Company on 30 January 2014.

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

Details of the accounting policy adopted for the options and the value of options granted under the Share Option Scheme during the year ended 31 December 2013 are set out in Notes 2(q) and 33 to the consolidated financial statements respectively.

Report of the Directors

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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of directors of the Company are disclosed as follows:

Dr. Cui Di will be entitled to receive emoluments of HK$1,712,151 per annum commencing from 1 March 2014 as approved by the Board on the recommendation of the Remuneration Committee subsequent to Dr. Cui's appointment as executive director of the Company on 1 December 2013.

Save as disclosed above and changes in directors' emoluments during the year as set out in Note 11 to the consolidated financial statements, there is no other information required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	**Capacity**	**Number of shares held**	**Approximate percentage of total issued shares**
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1	Interest of controlled corporation Interest of controlled corporation	667,793,143 (L) 220,298,109 (S)	62.56% 20.64%
Tsinlien	2 3	Interest of controlled corporation Interest of controlled corporation	667,793,143 (L) 220,298,109 (S)	62.56% 20.64%

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

notes:

1. Tsinlien is a wholly-owned subsidiary of Tianjin Pharmaceutical. By virtue of the SFO, Tianjin Pharmaceutical is deemed to have an interest in the shares in which Tsinlien is interested.

2. As at 31 December 2013, Tsinlien directly held 20,740,000 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 77,014,000 shares respectively. By virtue of the SFO, Tsinlien is therefore deemed to have an interest in the shares in which Tianjin Investment, Tsinlien Venture Capital and Tsinlien Investment are interested.

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

Save as disclosed above, as at 31 December 2013, 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	52%
—	five largest suppliers in aggregation	73%

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2013, except for the deviations as disclosed in the Corporate Governance Report as set out on page 21.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Yu Rumin
Chairman

27 March 2014, Hong Kong

Independent Auditor's Report

Deloitte.
德勤

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 143, which comprise the consolidated and Company's statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Basis for Qualified Opinion

As set out in Note 19(a) to the consolidated financial statements, as at the date of this report, Dynasty (as defined in Note 48 to the consolidated financial statements), a listed associate of the Group, has not published any financial information for each of the two years ended 31 December 2013 and 2012. For the year ended 31 December 2013, the Group was accordingly not in a position to (i) equity account for its share of results of Dynasty and share of net assets of Dynasty as at 31 December 2013; (ii) assess whether any impairment of its interest in Dynasty was necessary; and (iii) disclose the summarised financial information of Dynasty. Consequently, the Group was unable to fulfil the requirements of Hong Kong Accounting Standard ("HKAS") 28 (as revised in 2011) "Investments in Associates and Joint Ventures" and Hong Kong Financial Reporting Standard 12 "Disclosure of Interests in Other Entities" issued by the Hong Kong Institute of Certified Public Accountants, which require the application of the equity method for accounting for investments in associates and an impairment assessment thereof, as well as the relevant disclosures in respect of the associates for the current and comparative periods.

For the year ended 31 December 2012, the Group had equity accounted for its share of loss of Dynasty and recognised an impairment loss against the carrying amount of its interest in Dynasty based on the best estimates made by the directors of the Company, which was arrived at with reference to the quoted price of Dynasty's listed shares on 31 December 2012. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves with the appropriateness of the estimates made by the directors of the Company to account for the share of loss for that year and net assets less impairment loss of Dynasty as at 31 December 2012 as we did not have sufficient access to the financial information, management and the auditor of Dynasty. This, together with the fact that the required summarised financial information of Dynasty was not disclosed in accordance with HKAS 28, caused us to qualify our audit opinion on the consolidated financial statements for the year ended 31 December 2012.

It is not practical for us to quantify the effects of the departures from these requirements on the consolidated financial statements for the years ended 31 December 2013 and 2012.

Qualified Opinion

In our opinion, except for the matters set out in the Basis for Qualified Opinion paragraphs, 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 2013, 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.

Independent Auditor's Report

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

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

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	**4,952,429**	3,890,394
Cost of sales		**(4,703,499)**	(3,558,045)
Gross profit		**248,930**	332,349
Other income	6	**299,149**	200,729
Other gains, net	7	**494,344**	115,850
Selling expenses		**(60,427)**	—
General and administrative expenses		**(557,267)**	(437,262)
Other operating expenses		**(81,643)**	(62,374)
Finance costs	8	**(52,782)**	(63,233)
Share of profit (loss) of			
Associates	19	**556,263**	458,535
Joint ventures	20	**(3,107)**	501
Profit before tax		**843,460**	545,095
Tax expense	9	**(68,602)**	(58,375)
Profit for the year	10	**774,858**	486,720
Attributable to:			
Owners of the Company		**704,353**	413,094
Non-controlling interests		**70,505**	73,626
		774,858	486,720
		HK cents	HK cents
Earnings per share	14		
Basic		**65.98**	38.70
Diluted		**65.45**	38.66

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Profit for the year		**774,858**	486,720
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences			
— the Group		**172,223**	2,473
— associates		**93,550**	5,824
— joint ventures		**456**	2
Change in fair value of available-for-sale financial assets	22	**17,367**	24,810
Share of other comprehensive income of an associate			
— available-for-sale revaluation reserve		**356**	2,122
Reclassification upon disposal of subsidiaries	40	**(7,900)**	—
Other comprehensive income for the year		**276,052**	35,231
Total comprehensive income for the year		**1,050,910**	521,951
Attributable to:			
Owners of the Company		**957,731**	448,093
Non-controlling interests		**93,179**	73,858
		1,050,910	521,951

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,194,969**	2,287,823
Land use rights	16	**160,703**	489,407
Investment properties	17	**201,197**	195,987
Interests in associates	19	**5,179,873**	4,944,466
Interests in joint ventures	20	**84,157**	17,162
Intangible assets	21	**232,046**	239,808
Deferred tax assets	36	**100,077**	106,127
Available-for-sale financial assets	22	**251,172**	233,405
Goodwill	23	**163,032**	158,810
		8,567,226	8,672,995
Current assets			
Inventories	24	**130,010**	140,285
Amounts due from joint ventures	25	**14,794**	14,373
Amount due from ultimate holding company	25	**353**	1,379
Amounts due from related companies	26	**41,048**	22,792
Amounts due from customers for contract work	27	**762,038**	966,241
Trade receivables	28	**674,829**	819,148
Notes receivables	28	**18,957**	160,523
Other receivables, deposits and prepayments	28	**455,403**	550,515
Financial assets at fair value through profit or loss	29	**654,731**	438,167
Entrusted deposits	30	**1,486,872**	1,579,335
Restricted bank balances	31	**212,250**	102,811
Time deposits with maturity over three months	31	**98,233**	254,398
Cash and cash equivalents	31	**4,489,915**	3,864,901
		9,039,433	8,914,868
Total assets		**17,606,659**	17,587,863

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Owners of the Company			
Share capital	32	**106,747**	106,747
Reserves	34	**10,920,006**	9,949,187
		11,026,753	10,055,934
Non-controlling interests		**777,787**	849,854
Total equity		**11,804,540**	10,905,788
LIABILITIES			
Non-current liabilities			
Bank borrowings	35	**—**	1,993,500
Deferred tax liabilities	36	**46,845**	119,071
		46,845	2,112,571
Current liabilities			
Trade payables	37	**931,473**	1,201,616
Notes payables	37	**356,996**	213,202
Other payables and accruals	38	**1,486,805**	1,884,941
Amounts due to related companies	26	**573,094**	491,822
Amounts due to customers for contract work	27	**153,792**	104,209
Bank borrowings	35	**2,145,068**	565,914
Current tax liabilities		**108,046**	107,800
		5,755,274	4,569,504
Total liabilities		**5,802,119**	6,682,075
Total equity and liabilities		**17,606,659**	17,587,863
Net current assets		**3,284,159**	4,345,364
Total assets less current liabilities		**11,851,385**	13,018,359

Wu Xuemin
Director

Dai Yan
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,678**	2,073
Investment properties	17	**137,906**	134,335
Interests in subsidiaries	18	**4,950,044**	4,210,932
Advances to subsidiaries	18	**4,528,248**	4,890,707
		9,617,876	9,238,047
Current assets			
Amount due from ultimate holding company	25	**463**	2,513
Other receivables, deposits and prepayments	28	**46,202**	12,612
Entrusted deposits	30	**1,306,025**	1,283,479
Cash and cash equivalents	31	**582,899**	628,271
		1,935,589	1,926,875
Total assets		**11,553,465**	11,164,922
EQUITY			
Owners of the Company			
Share capital	32	**106,747**	106,747
Reserves	34	**6,995,666**	6,823,546
Total equity		**7,102,413**	6,930,293
LIABILITIES			
Non-current liabilities			
Bank borrowings	35	**—**	1,993,500
Amounts due to subsidiaries	25	**2,376,437**	2,201,026
		2,376,437	4,194,526
Current liabilities			
Bank borrowings	35	**1,999,500**	—
Accruals		**75,115**	40,103
		2,074,615	40,103
Total liabilities		**4,451,052**	4,234,629
Total equity and liabilities		**11,553,465**	11,164,922
Net current (liabilities) assets		**(139,026)**	1,886,772
Total assets less current liabilities		**9,478,850**	11,124,819

Wu Xuemin
Director

Dai Yan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Notes	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 2012		106,747	7,322,980	2,159,342	9,589,069	592,936	10,182,005
Profit for the year		—	—	413,094	413,094	73,626	486,720
Other comprehensive income for the year		—	34,999	—	34,999	232	35,231
Total comprehensive income for the year		—	34,999	413,094	448,093	73,858	521,951
Share-based payments							
— the Group		—	18,210	—	18,210	—	18,210
— associates		—	562	—	562	—	562
Dividends		—	—	—	—	(829)	(829)
Acquisitions of subsidiaries	39	—	—	—	—	183,889	183,889
Transfer between reserves		—	46,554	(46,554)	—	—	—
Transfer upon lapse of share options		—	(6,331)	6,331	—	—	—
		—	58,995	(40,223)	18,772	183,060	201,832
At 31 December 2012		106,747	7,416,974	2,532,213	10,055,934	849,854	10,905,788
Profit for the year		**—**	**—**	**704,353**	**704,353**	**70,505**	**774,858**
Other comprehensive income for the year		**—**	**253,378**	**—**	**253,378**	**22,674**	**276,052**
Total comprehensive income for the year		**—**	**253,378**	**704,353**	**957,731**	**93,179**	**1,050,910**
Capital contributions by non-controlling interests		**—**	**—**	**—**	**—**	**26,940**	**26,940**
Share-based payments							
— the Group		**—**	**13,088**	**—**	**13,088**	**—**	**13,088**
Dividends		**—**	**—**	**—**	**—**	**(1,150)**	**(1,150)**
Disposal and deemed disposal of subsidiaries	40	**—**	**—**	**—**	**—**	**(102,370)**	**(102,370)**
Payment to a non-controlling shareholder of a subsidiary in advance of liquidation		**—**	**—**	**—**	**—**	**(88,666)**	**(88,666)**
Transfer between reserves		**—**	**65,346**	**(65,346)**	**—**	**—**	**—**
Transfer upon lapse of share options		**—**	**(561)**	**561**	**—**	**—**	**—**
		—	**77,873**	**(64,785)**	**13,088**	**(165,246)**	**(152,158)**
At 31 December 2013		**106,747**	**7,748,225**	**3,171,781**	**11,026,753**	**777,787**	**11,804,540**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Operating Activities			
Cash generated from operations	44	**276,533**	256,521
Interest paid		**(46,782)**	(57,233)
PRC income tax paid		**(65,284)**	(55,789)
Net cash from operating activities		**164,467**	143,499
Investing Activities			
Proceeds from redemption of entrusted deposits		**3,617,520**	2,735,308
Dividends received from associates		**422,690**	461,153
Net proceeds from disposal and deemed disposal of subsidiaries	40	**416,784**	—
Proceeds from disposal of property, plant and equipment/land use rights		**289,303**	1,630
Interest received		**196,038**	144,201
Proceeds from redemption of an entrusted loan		**189,873**	—
Decrease in time deposits with maturity over three months		**162,848**	574,977
Settlement of consideration receivable for disposal of a subsidiary in prior years		**88,608**	—
Addition of entrusted deposits		**(3,464,557)**	(2,657,298)
Acquisitions of subsidiaries	38 & 39	**(519,759)**	(164,565)
Purchase of property, plant and equipment		**(252,485)**	(247,760)
Addition of restricted bank balances		**(106,706)**	(6,165)
Payment to a non-controlling shareholder of a subsidiary in advance of liquidation		**(88,666)**	—
Addition of entrusted loans		**(25,316)**	(184,957)
Additional contribution to an associate		**(7,928)**	—
Acquisition of interest in an associate		**—**	(13,677)
Proceeds from disposal of available-for-sale financial assets		**—**	41,499
Net cash from investing activities		**918,247**	684,346
Financing Activities			
Repayment of bank borrowings		**(1,588,554)**	(380,835)
Dividend paid to non-controlling interests of subsidiaries		**(97,308)**	(829)
Drawdown of bank borrowings		**1,122,565**	399,263
Contributions by non-controlling interests of subsidiaries		**26,940**	—
Drawdown of loans from related companies		**6,709**	61,652
Net cash (used in) from financing activities		**(529,648)**	79,251
Net increase in cash and cash equivalents		**553,066**	907,096
Cash and cash equivalents at beginning of the year		**3,864,901**	2,950,873
Effect of foreign exchange rate changes		**71,948**	6,932
Cash and cash equivalents at end of the year		**4,489,915**	3,864,901

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants except that, as explained in Notes 5(iv) and 19(a), the Group is unable to fulfil the requirements of HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" and HKFRS 12 "Disclosure of Interests in Other Entities" for its investment in Dynasty (as defined in Note 48). In addition, the consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs for the first time in the current year:

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Application of new and revised HKFRSs (Cont'd)

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

Impact of the application of HKFRS 10

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 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its group companies, associates and joint ventures in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the Company has had control over its subsidiaries since the Company has ability to use its power over the subsidiaries, rights to variable returns from its involvement with the subsidiaries and to affect the return of the subsidiaries. The directors of the Company also concluded that the Company has no control over its associates and joint ventures as the three criteria for meeting the definition of control in HKFRS 10 are not met. Accordingly, the application of HKFRS 10 has had no impact to the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) — Int 13 "Jointly Controlled Entities — Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Application of new and revised HKFRSs (Cont'd)

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

Impact of the application of HKFRS 11 (Cont'd)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company made an assessment as at the date of initial application of HKFRS 11 (i.e. 1 January 2013) and concluded that the adoption of HKFRS 11 has had no material impact to the Group.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see Notes 19, 20 and 47 for details).

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements (see Notes 3 and 17 for the disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Application of new and revised HKFRSs (Cont'd)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. Furthermore, 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 — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[5]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[5]
HK(IFRIC) — Int 21	Levies[5]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

New and revised HKFRSs in issue but not yet effective (Cont'd)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised 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 amortised 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 recognised in profit or loss.

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies

The principal accounting policies are set out below.

(a) Group accounting

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries made up to 31 December.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised 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 items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised 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 statement of profit or loss 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 end of the previous reporting period or when they first came under common control, whichever is shorter.

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 recognised as an expense in the year in which it is incurred.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

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

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

(iii) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Group and control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iii) Subsidiaries (Cont'd)

Investments in subsidiaries are carried on the statement of financial position 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 is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(iv) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iv) Associates and joint ventures (Cont'd)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(v) Non-controlling interests

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

(vi) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(vi) Goodwill (Cont'd)

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

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. The functional currency of the Company and the Group's subsidiaries in the 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 recognised in the consolidated statement of profit or loss.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss 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 recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the end of each reporting period.

(d) Property, plant and equipment

Buildings comprise mainly hotels 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged in the consolidated statement of profit or loss 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 the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

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

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of profit or loss.

(e) Land use rights

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position 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.

(f) Investment properties

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

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

An investment property is derecognised 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 profit or loss in the period in which the item is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(g) Intangible assets

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

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

(h) Impairment losses on tangible and intangible assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(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.

All regular purchases or sales of financial assets are recognised on trade date when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all 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 on 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 recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the period in which they arise.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 end of the reporting period which are classified as non-current assets.

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

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised 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 end of the reporting period. They are measured at fair value at the end of each reporting period. Gains and losses arising from changes in the fair value are recognised in equity.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(iii) Available-for-sale financial assets (Cont'd)

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

(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 proceeds 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 each 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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 respective credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 recognised 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 previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised 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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss 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 end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

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

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

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

(p) Current and deferred income tax

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

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

Deferred income tax is recognised 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(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 employee. The Group's obligation is to make the required contributions under the scheme. In addition, the Group also contributes to a mandatory provident fund scheme for all its employees in Hong Kong. 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 statement of profit or loss as incurred.

(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 recognised as an expense. The total amount expensed is recognised 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 the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest on the non-marketing vesting condition. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss 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 recognised 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(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 are recognised as follows:

(i) Sales of goods are recognised when goods are delivered and titles have passed to customers.

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

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

(iv) Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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

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

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

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

(s) Machine construction contracts

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(s) Machine construction contracts (Cont'd)

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

(t) 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.

(u) Operating lease

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

(v) Dividend distribution

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

(w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised 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 recognised 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 recognised as a provision.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Significant accounting policies (Cont'd)

(x) Government grants

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

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

(y) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phrase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

The Group has foreign currency sales in its electrical and mechanical business segment, which have exposure to foreign exchange risks. Other than that, the principal subsidiaries of the Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risks during both years.

At 31 December 2013, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2012: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$53,663,000 (2012: HK$41,982,000) as a result of the translation of the Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares and unlisted funds are classified on the consolidated statement of financial position as available-for-sale financial assets and financial assets at fair value through profit or loss specified in Notes 22 and 29, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2012: 10%) higher/lower, the Group's profit for the year and other comprehensive income would increase/decrease by HK$49,150,000 (2012: HK$32,908,000) and HK$19,680,000 (2012: HK$18,230,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk

Other than the entrusted loans, entrusted deposits and bank balances and deposits specified in Notes 28, 30 and 31, respectively, the Group has no other significant assets bearing interest.

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

The Group's interest rate risk is 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 balanced 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$1,999,500,000 at variable rates and HK$145,568,000 at fixed rates (2012: HK$2,209,283,000 at variable rates and HK$350,131,000 at fixed rates).

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower for Hong Kong dollars-denominated borrowings at variable rates and with all other variables held constant, the Group's profit for the year would decrease/increase by HK$8,348,000 (2012: HK$8,323,000); as at 31 December 2013, the Group does not have Renminbi-denominated borrowings at variable rates. If interest rates had been 50 basis points higher/lower for Renminbi-denominated borrowings at variable rates as at 31 December 2012 and with all other variables held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase HK$801,000.

If interest rates had been 25 basis points (2012: 25 basis points) higher/lower for Hong Kong dollars-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by HK$1,531,000 (2012: HK$1,659,000); if interest rates had been 25 basis points (2012: 25 basis points) higher/lower for Renminbi-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK$8,035,000 (2012: HK$6,768,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(b) Credit and counterparty risk

Credit risk mainly arises from deposits maintained with banks and other financial institutions, entrusted deposits placed with financial institutions, as well as credit exposures to joint ventures, ultimate holding company, related companies, customers (including outstanding trade receivables balance) and other debtors (including entrusted loans). Overall, the carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk as at 31 December 2013.

A significant portion of the Group's bank deposits, entrusted loans and entrusted deposits are placed with or arranged through state-owned banks/entities and other financial institutions in the PRC. The Group had a significant concentration of credit risk at 31 December 2013 because it had placed entrusted deposits of approximately HK$1,487 million (2012: approximately HK$1,579 million) with three financial institutions (2012: two financial institutions) based in Tianjin.

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 counterparties and the balances are considered to be fully recoverable.

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

For the Group's electrical and mechanical business which involves a long production cycle, there are policies in place to ensure the production process is consistent with the contracted schedule. The provisions of services are made to customers with appropriate credit history and periodic credit evaluations of customers are performed. The aggregate amount of trade receivables that are subject to credit risk is HK$342,441,000 (2012: HK$315,868,000). The directors are of the opinion that adequate provision for uncollectible trade receivable has been made in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

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

As at 31 December 2013, over 76% (2012: 74%) of the Group's financial assets were bank deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions. Apart from that, a receivable of HK$37,975,000 (2012: HK$123,305,000) was due from Tianjin Eastern Outer Ring Road Co., Ltd. as the consideration receivable for disposal of a subsidiary in prior years. For trade receivables of the utilities business as at 31 December 2012, around 23% were government supplemental income receivable from the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") with continuous settlements. As at 31 December 2013, all government supplemental income from TEDA Finance Bureau for the current and prior years had been settled. The residential, commercial and industrial customers in utilities segment demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record. For trade receivables arising from the Tianfa Equipment (as defined in Note 47), a subsidiary in the electrical and mechanical segment, around 25% (2012: 22%) were receivable from a customer engaged in the hydroelectric business. In view that the management of this electrical and mechanical business has established relationships with a wide base of customers, the directors consider that the concentration risk is not significant.

(c) Liquidity risk

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

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

As at 31 December 2013, the Group had bank and cash balances of approximately HK$4,800 million (2012: approximately HK$4,222 million) and bank borrowings of approximately HK$2,145 million (2012: approximately HK$2,559 million).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 December 2013			
The Group			
Bank borrowings	**2,152,916**	**—**	**2,152,916**
Amounts due to related companies	**573,094**	**—**	**573,094**
Trade payables, notes payables and other payables	**1,566,238**	**—**	**1,566,238**
	4,292,248	**—**	**4,292,248**
The Company			
Bank borrowings	**2,004,498**	**—**	**2,004,498**
Amounts due to subsidiaries	**—**	**2,376,437**	**2,376,437**
	2,004,498	**2,376,437**	**4,380,935**
At 31 December 2012			
The Group			
Bank borrowings	617,117	2,012,998	2,630,115
Amounts due to related companies	491,822	—	491,822
Trade payables, notes payables and other payables	2,254,622	—	2,254,622
	3,363,561	2,012,998	5,376,559
The Company			
Bank borrowings	33,890	2,012,998	2,046,888
Amounts due to subsidiaries	—	2,201,026	2,201,026
	33,890	4,214,024	4,247,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 statement of financial position.

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 statement of financial position) less total cash and bank deposits. During the current year, the Group's policy, which was unchanged from prior year, was to maintain a net gearing ratio of not more than 40%.

At the end of the reporting period, the Group had a net cash position.

	2013	2012
	HK$'000	HK$'000
Total cash and bank deposits	**4,800,398**	4,222,110
Less: total bank borrowings	**2,145,068**	2,559,414
Net cash	**2,655,330**	1,662,696
Shareholders' funds	**11,026,753**	10,055,934
Net gearing position	**Net cash**	Net cash

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

	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,338,773**	7,101,248
Available-for-sale financial assets	**251,172**	233,405
Financial assets at fair value through profit or loss	**654,731**	438,167
	8,244,676	7,772,820
Financial liabilities		
Amortised cost	**4,284,400**	5,305,858

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value measurements of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2013 HK$'000	Fair value as at 31 December 2012 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets						
— listed equity securities	**235,690**	218,323	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at fair value through profit or loss						
— listed equity securities	**12,802**	48,383	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	**591,420**	388,797	Level 2	Redemption value quoted by the relevant investment trust with reference to the underlying assets (mainly listed securities) of the trust	N/A	N/A
— unlisted bonds	**50,509**	987	Level 2	Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

There were no transfers between level 1 and 2 in both years.

The directors of the Company consider that the carrying amounts of trade receivables, notes receivables, other receivables, entrusted deposits, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade payables, notes payables, other payables, short-term bank borrowings and balances with joint ventures, ultimate holding company and related companies that are recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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 and approximate their carrying amounts.

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For the year ended 31 December 2013

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.

Key sources of estimation uncertainty

(a) Property, plant and equipment

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

(b) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2013 at their fair values, details of which are disclosed in Note 17. The fair values of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair values of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amounts of these properties included in the consolidated statement of financial position.

(c) Impairment of intangible assets and goodwill

Determining whether intangible assets (where there are indicators of impairment) and goodwill are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which intangible assets and goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. Further details are set out in Notes 21 and 23.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Key sources of estimation uncertainty (Cont'd)

(d) Interests in associates

The Group's interests in associates are carried at its share of net assets of the associates together with premium on their acquisition less impairment loss.

(i) As at 31 December 2013, the carrying value of the Group's interest in a major listed associate, including goodwill of approximately HK$1,121 million, Tianjin Port (as defined in Note 48), exceeded the market value of the Group's holding therein by approximately HK$1,814 million (2012: approximately HK$1,897 million). Management has assessed the value in use of the Group's interest based on discounted cash flows and the assumption of a terminal value. This assessment involves significant assumptions about future events and market conditions which may not realise as projected if and when the Group is to dispose of this interest.

(ii) Furthermore, as disclosed in Note 19(a), the Group was not in a position to (i) equity account for its share of results of Dynasty (as defined in Note 48) and share of net assets of Dynasty as at 31 December 2013 and (ii) assess whether any impairment of its interest in Dynasty was necessary. Should actual results, net assets or fair value of Dynasty be available to the directors of the Company, adjustments may be necessary which could impact the results and financial position of the Group when such adjustments, if any, are known.

(e) Recoverability of deferred tax assets

As at 31 December 2013, deferred tax assets of HK$100,077,000 (2012: HK$106,127,000) in relation to tax losses and other deductible temporary differences were recognised in the consolidated statement of financial position after offsetting certain deferred tax 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.

(f) Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation 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

For the year ended 31 December 2013

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

Key sources of estimation uncertainty (Cont'd)

(g) Machine construction contracts

The Group recognises contract revenue and profit of machine construction contracts according to the management's estimation of the final outcome of the projects as well as the percentage of completion of machine construction works. Notwithstanding that management closely reviews and revises the estimates of both contract revenue and costs for the machine construction contracts according to the contract progress, the actual outcome of the contracts in terms of their total revenue and/or costs may be higher or lower than the estimates and this will affect the amount of revenue and profit recognised in subsequent periods. During the current year, the Group identified certain construction contracts cost estimate adjustments which were charged to profit or loss for the year.

(h) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 3 and 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Critical judgments in applying accounting policies

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the presumption set out in the amendments to HKAS 12 is rebutted because the criteria to rebut set out in the amendments to HKAS 12 were considered satisfied. As at 31 December 2013, the Group has recognised deferred tax liabilities on changes in fair value of investment properties of HK$6,475,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 ("CODM"). The CODM assess the performance of the operating segments based on a measure of profit after tax.

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

(a) Utilities

This segment derives revenue from distribution of electricity, water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area, the PRC.

(b) Hotels

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

(c) Electrical and mechanical

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

(d) Winery

The result of this segment is contributed by a listed associate of the Group, Dynasty (as defined in Note 48), which produces and sells winery products.

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port (as defined in Note 48), which provides port services in Tianjin.

(f) Elevators and escalators

The result of this segment is contributed by an associate of the Group, Otis China (as defined in Note 48), which manufactures and sells elevators and escalators.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

For the year ended 31 December 2013

	Utilities (note i) HK$'000	Hotels (note ii) HK$'000	Electrical and mechanical (note iii) HK$'000	Winery (note iv) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,832,059	117,823	1,002,547	—	—	—	4,952,429
Operating profit before interest	65,232	17,595	16,764	—	—	—	99,591
Interest income	42,200	15	17,253	—	—	—	59,468
Finance costs	(16,300)	—	(3,618)	—	—	—	(19,918)
Share of profit of associates	—	—	—	—	170,320	383,876	554,196
Profit before tax	91,132	17,610	30,399	—	170,320	383,876	693,337
Tax expense	(22,319)	(3,173)	(10,565)	—	—	—	(36,057)
Segment results — profit for the year	68,813	14,437	19,834	—	170,320	383,876	657,280
Non-controlling interests	(3,047)	3,352	(9,151)	—	—	(66,257)	(75,103)
Profit attributable to owners of the Company	65,766	17,789	10,683	—	170,320	317,619	582,177
Segment results — profit for the year includes:							
Depreciation and amortisation	61,617	22,505	64,724	—	—	—	148,846

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2012

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

	2013 HK$'000	2012 HK$'000
Reconciliation of profit for the year		
Total reportable segments	**657,280**	479,458
Share-based payments	**(13,088)**	(18,210)
Gain on disposal of subsidiaries	**171,851**	—
Corporate and others (note vi)	**(41,185)**	25,472
Profit for the year	**774,858**	486,720

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

notes:

(i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK$2,359,070,000, HK$387,187,000 and HK$1,085,802,000 respectively (2012: HK$2,292,860,000, HK$355,662,000 and HK$1,123,949,000 respectively).

The above revenue included government supplemental income of HK$230,587,000 (2012: HK$321,322,000).

(ii) The hotel property in Tianjin has been disposed of in August 2013 and further details are set out in Note 40.

(iii) The operating profit before interest of the electrical and mechanical segment for the year ended 31 December 2013 included a gain of disposal of property, plant and equipment/land use rights and certain construction contracts cost estimate adjustments as detailed in Notes 4(g) and 7, respectively.

(iv) As detailed in Note 19(a), in the absence of Dynasty's published financial statements for the years ended 31 December 2013 and 2012 as at the date that these consolidated financial statements were approved by the board of directors (the "Board"):

(a) for the year ended 31 December 2013, the Group was not in a position to (i) equity account for its share of results of Dynasty and share of net assets of Dynasty as at 31 December 2013; (ii) assess whether any impairment of its interest in Dynasty was necessary; and (iii) present Dynasty's summarised financial information and other relevant disclosures for the current and comparative periods.

(b) for the year ended 31 December 2012, the Group had equity accounted for its share of loss of Dynasty and recognised an impairment loss against the carrying amount of its interest in Dynasty based on the best estimates made by the directors of the Company, which was arrived at with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognised an aggregate loss of HK$111,267,000, which was included in the consolidated statement of profit or loss as share of loss of associate for that year.

(v) As the acquisitions of Tianduan (as defined in Note 47) and Tianfa Equipment were completed on 31 December 2012, their financial results, representing that of the electrical and mechanical segment, for the year ended 31 December 2012 were not presented as they were not reported to the CODM prior to their becoming subsidiaries of the Group.

(vi) These principally include (a) results of the Group's other non-core businesses and other associates which are not categorised as reportable segments; (b) corporate level activities including central treasury management, administrative function and exchange gain or loss; and (c) results of Tianduan and Tianfa Equipment while they were the Group's associates prior to 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

	Utilities HK$'000	Hotels HK$'000	Electrical and mechanical 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 2013									
Segment assets	**3,439,643**	**605,859**	**3,271,590**	**786,780**	**3,533,530**	**843,456**	**12,480,858**	**5,125,801**	**17,606,659**
Segment liabilities	**2,084,222**	**7,947**	**1,594,618**	**—**	**—**	**—**	**3,686,787**	**2,115,332**	**5,802,119**
As at 31 December 2012									
Segment assets	3,496,638	996,856	3,102,945	786,780	3,319,892	824,117	12,527,228	5,060,635	17,587,863
Segment liabilities	2,242,223	88,902	1,611,770	—	—	—	3,942,895	2,739,180	6,682,075

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

Other segment information

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

	2013 HK$'000	2012 HK$'000
The PRC	**4,835,024**	3,773,312
Hong Kong	**117,405**	117,082
	4,952,429	3,890,394

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

	2013 HK$'000	2012 HK$'000
The PRC	**7,691,396**	7,793,513
Hong Kong	**524,581**	539,950
	8,215,977	8,333,463

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. OTHER INCOME

	2013 **HK$'000**	2012 HK$'000
Interest income	**214,556**	162,997
Rental income under operating leases, net of negligible outgoings	**9,545**	15,679
Government grants	**13,689**	—
Sales of scrap materials	**5,255**	—
Reversal of receipts in advance from customers	**32,911**	—
Sundries	**23,193**	22,053
	299,149	200,729

7. OTHER GAINS, NET

	2013 **HK$'000**	2012 HK$'000
Gain on disposal of subsidiaries (Note 40(a))	**171,851**	—
Gain on disposal of interests in associates (Note 39(b))	**—**	58,682
Gain on fair value change of investment properties	**—**	25,228
Net exchange gain	**19,205**	5,063
Net gain (loss) on disposal of property, plant and equipment/land use rights (note)	**278,610**	(3,159)
Net gain on disposal of available-for-sale financial assets	**—**	4,644
Net gain on financial assets held for trading		
— listed	**8,548**	5,376
— unlisted	**16,130**	20,016
	494,344	115,850

note: In September 2013, because of the local government's urban redevelopment plan, Tianfa Equipment, a subsidiary in the electrical and mechanical segment, agreed to a relocation plan of its production plant and transferred its ownership of land use rights and certain immovable property, plant and equipment thereon for a compensation of approximately RMB344 million (equivalent to approximately HK$435 million) from the local government in November 2013, resulting in a gain of approximately HK$278 million. The compensation will be settled by instalments and as at 31 December 2013, an amount of approximately RMB226 million (equivalent to approximately HK$286 million) was received while the balance of approximately RMB118 million (equivalent to approximately HK$149 million) has been included in other receivables as set out in Note 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**52,782**	63,233

9. TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	**62,665**	50,044
Deferred taxation (Note 36)	**5,937**	8,331
	68,602	58,375

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2012: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for two subsidiaries which are subject to preferential EIT rate at 15% for a period of 3 years starting from October 2011 as they are qualified as High and New Technology Enterprises.

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

	2013 HK$'000	2012 HK$'000
Profit before tax	**843,460**	545,095
Less: share of results of associates and joint ventures	**(553,156)**	(459,036)
	290,304	86,059
Calculated at applicable tax rates	**55,361**	24,389
Income not subject to taxation	**(24,618)**	(25,105)
Expenses not deductible for taxation purposes	**33,992**	54,309
Tax losses not recognised	**3,867**	4,782
Tax expense	**68,602**	58,375

The weighted average applicable tax rate is 19.07% (2012: 28.34%).

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For the year ended 31 December 2013

10. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments) (Note 11)	**531,686**	403,226
Cost of inventories recognised as an expense	**3,366,884**	3,069,813
Depreciation		
— charged to cost of sales	**88,664**	58,062
— charged to administrative expenses	**33,237**	17,280
— charged to selling expenses	**379**	—
— charged to other operating expenses	**19,306**	22,593
Amortisation of land use rights	**8,497**	6,992
Amortisation of intangible assets	**14,138**	—
Reversal of allowance for impairment of trade receivables	**(4,767)**	(2,866)
Impairment loss on property, plant and equipment	**—**	30,000
Operating lease expense on		
— plants, pipelines and networks	**155,680**	150,801
— land and buildings	**13,298**	10,571
Auditor's remuneration	**6,039**	4,802
Research and development costs charged to other operating expenses	**49,999**	—

11. EMPLOYEES' BENEFITS EXPENSE

	2013 HK$'000	2012 HK$'000
Wages, salaries, bonus and social security costs	**518,598**	385,016
Share-based payments	**13,088**	18,210
	531,686	403,226

Notes to the Consolidated Financial Statements

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

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

The remuneration of each of the directors (including the chief executive) for the year ended 31 December 2013 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	–	700	579	1,279
Wu Xuemin	–	2,906	2,318	5,224
Dai Yan	–	4,032	2,173	6,205
Bai Zhisheng[ii]	–	–	193	193
Zhang Wenli	–	–	193	193
Wang Zhiyong	–	3,497	2,028	5,525
Tuen Kong, Simon[iii]	–	3,591	1,932	5,523
Cui Di[iv]	–	100	1,738	1,838
Wang Weidong[v]	–	1,837	–	1,837
Cheung Wing Yui, Edward	318	95	97	510
Chan Ching Har, Eliza	318	95	97	510
Cheng Hon Kwan	382	95	97	574
Mak Kwai Wing, Alexander	382	95	97	574
Ng Yi Kum, Estella	382	95	97	574
Wong Shiu Hoi, Peter[vi]	382	95	97	574
Loke Yu[vi]	382	95	97	574
	2,546	17,328	11,833	31,707

Notes to the Consolidated Financial Statements

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

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

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

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

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

(ii) Resigned on 30 January 2014.

(iii) Appointed on 27 March 2013.

(iv) Appointed on 1 December 2013.

(v) Appointed on 1 June 2012 and resigned on 30 November 2013.

(vi) Appointed on 21 December 2012.

(vii) Retired on 31 May 2012.

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

(b) Five highest paid individuals

The emoluments of the five individuals with the highest emoluments for the years ended 31 December 2013 and 2012 were as follows:

	2013 **HK$'000**	2012 HK$'000
Fees	**—**	—
Salaries, bonus and other benefits	**16,409**	15,857
Share-based payments	**8,451**	13,982
	24,860	29,839

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

	2013	2012
Emolument bands (HK$)		
2,000,001–2,500,000	**1**	—
2,500,001–3,000,000	**—**	—
3,000,001–3,500,000	**—**	—
3,500,001–4,000,000	**—**	—
4,000,001–4,500,000	**—**	1
4,500,001–5,000,000	**—**	—
5,000,001–5,500,000	**1**	1
5,500,001–6,000,000	**2**	—
6,000,001–6,500,000	**1**	1
6,500,001–7,000,000	**—**	1
7,000,001–7,500,000	**—**	1
	5	5

Of the five individuals with the highest emoluments in the Group, four (2012: four) are directors (including the chief executive) and their emoluments are shown in Note 11(a) above.

Notes to the Consolidated Financial Statements

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12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$25,191,000 (2012: loss of HK$16,584,000).

13. DIVIDENDS

A final dividend of HK6.63 cents per share for the year ended 31 December 2013 (2012: Nil), amounting to approximately HK$70,779,000 (2012: Nil) in total, has been proposed by the Board of the Company and will be subject to approval by the shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**704,353**	413,094
Number of shares	**Thousand**	Thousand
Number of ordinary shares for the purpose of basic earnings per share	**1,067,470**	1,067,470
Effect of dilutive potential ordinary shares: Share options	**8,710**	1,079
Number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	**1,076,180**	1,068,549

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15. 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 2013	1,485,720	326,622	1,739,135	97,810	29,033	227,601	1,784	3,907,705
Exchange differences	32,882	—	52,627	1,596	983	6,047	47	94,182
Additions	19,370	—	62,832	12,780	4,046	153,457	—	252,485
Transfers	2,162	—	47,285	135	—	(49,582)	—	—
Disposals	(40,863)	—	(80,167)	(2,069)	(5,325)	—	—	(128,424)
Disposal of subsidiaries (Note 40(a))	(198,550)	—	(1,357)	(1,392)	(82)	—	—	(201,381)
Deemed disposal of a subsidiary (Note 40(b))	—	—	(3,991)	(6,002)	(339)	(83,718)	—	(94,050)
At 31 December 2013	1,300,721	326,622	1,816,364	102,858	28,316	253,805	1,831	3,830,517
Accumulated depreciation and impairment								
At 1 January 2013	417,449	62,925	1,044,568	62,843	5,399	25,535	1,163	1,619,882
Exchange differences	9,886	—	35,670	1,032	366	679	31	47,664
Charge for the year	44,214	297	79,189	11,305	6,581	—	—	141,586
Disposals	(11,085)	—	(66,950)	(1,921)	(3,909)	—	—	(83,865)
Eliminated on disposal of subsidiaries	(87,501)	—	(1,214)	(929)	(75)	—	—	(89,719)
At 31 December 2013	372,963	63,222	1,091,263	72,330	8,362	26,214	1,194	1,635,548
Carrying value								
At 31 December 2013	927,758	263,400	725,101	30,528	19,954	227,591	637	2,194,969

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

The Group (Cont'd)

	Buildings HK$'000	Leasehold land HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost								
At 1 January 2012	1,122,353	326,622	1,498,994	82,811	21,059	209,800	1,784	3,263,423
Exchange differences	852	—	177	30	14	119	—	1,192
Additions	82,223	—	3,634	10,138	7,972	201,222	—	305,189
Acquisitions of subsidiaries (Note 39)	226,972	—	178,620	6,469	4,199	12,598	—	428,858
Transfers	53,604	—	142,534	—	—	(196,138)	—	—
Disposals	(284)	—	(84,824)	(1,638)	(4,211)	—	—	(90,957)
At 31 December 2012	1,485,720	326,622	1,739,135	97,810	29,033	227,601	1,784	3,907,705
Accumulated depreciation and impairment								
At 1 January 2012	384,970	62,628	1,043,657	55,930	3,987	25,535	1,163	1,577,870
Exchange differences	84	—	143	14	4	—	—	245
Charge for the year	32,637	297	52,187	8,217	4,597	—	—	97,935
Impairment loss recognised in profit or loss (note c)	—	—	30,000	—	—	—	—	30,000
Disposals	(242)	—	(81,419)	(1,318)	(3,189)	—	—	(86,168)
At 31 December 2012	417,449	62,925	1,044,568	62,843	5,399	25,535	1,163	1,619,882
Carrying value								
At 31 December 2012	1,068,271	263,697	694,567	34,967	23,634	202,066	621	2,287,823

Notes to the Consolidated Financial Statements

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15. 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 2013	**5,101**	**4,406**	**9,507**
Exchange differences	**136**	**117**	**253**
At 31 December 2013	**5,237**	**4,523**	**9,760**
Accumulated depreciation			
At 1 January 2013	**4,339**	**3,095**	**7,434**
Exchange differences	**115**	**83**	**198**
Charge for the year	**83**	**367**	**450**
At 31 December 2013	**4,537**	**3,545**	**8,082**
Carrying value			
At 31 December 2013	**700**	**978**	**1,678**
Cost			
At 1 January 2012	5,096	4,406	9,502
Additions	5	—	5
At 31 December 2012	5,101	4,406	9,507
Accumulated depreciation			
At 1 January 2012	4,255	2,562	6,817
Exchange differences	—	1	1
Charge for the year	84	532	616
At 31 December 2012	4,339	3,095	7,434
Carrying value			
At 31 December 2012	762	1,311	2,073

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

notes:

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

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

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

(c) During the year ended 31 December 2012, in view of the operating loss incurred by a subsidiary in the utilities segment, the Group prepared a discounted cash flow projection for that entity and assessed whether the projection could support the carrying value of property, plant and equipment in that subsidiary. The review was based primarily on a discounted cash flow projection which involved factors and assumptions such as a discount rate of 12% and growth rate of 6% which are inherently subjective in nature. As a result of this assessment, management resolved to recognise an impairment loss of approximately HK$30 million against these assets. During the year ended 31 December 2013, management of the Group considered there were no impairment indicators for subsidiaries in the utilities segment as all of them generated operating profit.

16. LAND USE RIGHTS

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

17. INVESTMENT PROPERTIES

	The Group HK$'000	**The Company HK$'000**
Fair value		
At 1 January 2012	134,335	134,335
Additions	36,424	—
Increase in fair value recognised in profit or loss	25,228	—
At 31 December 2012	**195,987**	**134,335**
Exchange differences	**5,210**	**3,571**
At 31 December 2013	**201,197**	**137,906**

Notes to the Consolidated Financial Statements

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17. INVESTMENT PROPERTIES (Cont'd)

notes:

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Medium-term land use rights in the PRC	**176,185**	171,622	**112,894**	109,970
Long-term land use rights in the PRC	**25,012**	24,365	**25,012**	24,365
	201,197	195,987	**137,906**	134,335

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

(c) The fair value as at 31 December 2013 has been arrived at based on a valuation carried out by an independent valuer. The valuation was determined either on the basis of capitalisation of net rental income derived from existing tenancies or by reference to comparable market transactions. There has been no change from the valuation technique used in the prior year.

(d) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(e) Following are the key inputs used in valuing the investment properties:

Description	Fair value hierarchy	Fair value at 31 December 2013 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Guangdong, the PRC	Level 2	**25,012**	Market comparable approach	Price per square meter in RMB	N/A	N/A
Property 2 in Tianjin	Level 3	**112,894**	Income method – Direct capitalisation approach	Capitalisation rate; daily unit rent in RMB and price per square meter in RMB	4.5%–5.5%; 340.6–367.9; and 7,800	The higher the capitalisation rate, the lower the fair value; the higher the daily unit rent, the higher the fair value; and the higher the price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	**63,291**	Market comparable approach	Price per square meter in RMB	5,567–5,674	The higher the price per square meter, the higher the fair value

There were no transfers into or out of Level 3 during the year.

There was no unrealised gain on property revaluation included in profit or loss during the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. INTERESTS IN SUBSIDIARIES

	notes	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost		**4,950,044**	4,210,932
Advances to subsidiaries	(a)	**5,258,394**	5,620,853
Less: Impairment	(a)	**(730,146)**	(730,146)
		4,528,248	4,890,707
		9,478,292	9,101,639

notes:

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

(b) Details of principal subsidiaries which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2013 are set out in Note 47.

19. INTERESTS IN ASSOCIATES

	notes	2013 HK$'000	2012 HK$'000
The Group's interests in associates			
— Listed shares in Hong Kong			
— Dynasty	(a)	**786,780**	786,780
— Tianjin Port		**3,533,530**	3,319,892
— Unlisted shares in the PRC			
— Otis China		**843,456**	824,117
— Milan Winery (as defined in Note 48)		**16,107**	13,677
	(b)	**5,179,873**	4,944,466
Market value of listed shares			
— Dynasty		**N/A**	786,780
— Tianjin Port		**1,719,929**	1,422,498

Notes to the Consolidated Financial Statements

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19. INTERESTS IN ASSOCIATES (Cont'd)

notes:

(a) Trading in the shares of Dynasty has been suspended since 22 March 2013 as per its announcement published on the same date. As set out in the subsequent announcements published by Dynasty, the internal investigation conducted on certain transactions of Dynasty is not yet completed and as a result, Dynasty has not published any financial information for the years ended 31 December 2013 and 2012 as at the date that these consolidated financial statements were approved by the Board. Accordingly, for the preparation of these consolidated financial statements:

(i) for the year ended 31 December 2013, the Group was not in a position to (i) equity account for its share of results of Dynasty and share of net assets of Dynasty as at 31 December 2013; (ii) assess whether any impairment of its interest in Dynasty was necessary; and (iii) present Dynasty's summarised financial information and other relevant disclosures for the current and comparative periods.

(ii) for the year ended 31 December 2012, the Group had equity accounted for its share of loss of Dynasty and recognised an impairment loss against the carrying amount of its interest in Dynasty based on the best estimates made by the directors of the Company, which was arrived at with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognised an aggregate loss of HK$111,267,000, which was included in the consolidated statement of profit or loss as share of loss of associate for that year.

(b) Interests in associates as at 31 December 2013 included goodwill of HK$1,120,729,000 (2012: HK$1,120,729,000). Share of associates' taxation for the year ended 31 December 2013 of HK$261,759,000 (2012: HK$182,130,000) are included in the consolidated statement of profit or loss as share of profit of associates.

(c) Details of principal associates which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2013 are set out in Note 48.

Notes to the Consolidated Financial Statements

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19. INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of associates

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

	Tianjin Port		**Otis China**		**Milan Winery**	
	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000	**At 31 December 2013 HK$'000**	At 31 December 2012 HK$'000	**At 31 December 2013 HK$'000**	At 31 December 2012 HK$'000
Current assets	**11,366,231**	9,911,513	**9,083,110**	7,521,079	**86,621**	46,463
Non-current assets	**32,704,656**	27,329,233	**2,040,411**	1,930,920	**59,304**	61,535
Current liabilities	**(8,519,737)**	(7,547,693)	**(6,373,766)**	(4,911,981)	**(96,096)**	(68,594)
Non-current liabilities	**(11,552,058)**	(8,032,275)	**(30,934)**	(34,304)	**(490)**	(591)

	Tianjin Port		**Otis China**		**Milan Winery**	
	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	**Year ended 31 December 2013 HK$'000**	Year ended 31 December 2012 HK$'000	**Year ended 31 December 2013 HK$'000**	Year ended 31 December 2012 HK$'000
Revenue	**22,108,849**	17,934,680	**19,680,558**	16,685,634	**61,282**	–
Profit for the year	**811,047**	705,794	**1,919,377**	2,089,300	**8,267**	–
Other comprehensive income for the year	**341,125**	52,100	**109,535**	378	**2,259**	–
Total comprehensive income for the year	**1,152,172**	757,894	**2,028,912**	2,089,678	**10,526**	–
Dividends received from the associate during the year	**28,318**	59,867	**394,372**	399,597	**–**	–

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19. INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of associates (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Tianjin Port		Otis China		Milan Winery	
	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000	**At 31 December 2013 HK$'000**	At 31 December 2012 HK$'000	**At 31 December 2013 HK$'000**	At 31 December 2012 HK$'000
Equity attributable to owners of the associate	**11,489,070**	10,471,758	**4,196,704**	4,100,885	**49,339**	38,813
Proportion of the Group's ownership interest in the associate	**2,412,704**	2,199,069	**839,341**	820,177	**12,335**	9,703
Goodwill	**1,120,729**	1,120,729	**—**	—	**—**	—
Other adjustments	**97**	94	**4,115**	3,940	**3,772**	3,974
Carrying amount of the Group's interest in the associate	**3,533,530**	3,319,892	**843,456**	824,117	**16,107**	13,677

Dynasty

As detailed in note (a), as the financial information of Dynasty for the years ended 31 December 2013 and 2012 is not published at the date these consolidated financial statements were approved by the Board, no information with respect to Dynasty as of, and for the years ended 31 December 2013 and 2012 is presented.

20. INTERESTS IN JOINT VENTURES

The Group's attributable interests in its joint ventures, all of which are unlisted, are as follows:

	Current assets HK$'000	**Non-current assets HK$'000**	**Current liabilities HK$'000**	**Non-current liabilities HK$'000**	**Revenue HK$'000**	**Net (loss) profit attributable to the Group HK$'000**
As at 31 December 2013	**152,392**	**151,598**	**263,079**	**—**	**279,761**	**(3,107)**
As at 31 December 2012	137,475	100,311	263,952	—	250,684	501

Details of the principal joint ventures which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2013 are set out in Note 49.

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20. INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information of a material joint venture

Summarised financial information in respect of a material joint venture of the Group, Wunushan Icewine (as defined in Note 49), is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

This joint venture is accounted for using the equity method in these consolidated financial statements.

Wunushan Icewine

	At 31 December 2013 HK$'000
Current assets	**27,023**
Non-current assets	**125,338**
Current liabilities	**(33,956)**
Non-current liabilities	**–**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**7,851**
Current financial liabilities (excluding trade and other payables and provisions)	**(12,658)**
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**

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20. INTERESTS IN JOINT VENTURES (Cont'd)

Summarised financial information of a material joint venture (Cont'd)

Wunushan Icewine (Cont'd)

	Year ended 31 December 2013 HK$'000
Revenue	**706**
Loss for the year	**(5,963)**
The above loss for the year is arrived at after (charging) crediting:	
Depreciation and amortisation	**(1,146)**
Interest income	**11**
Interest expense	**(218)**
Tax expense	**—**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wunushan Icewine recognised in the consolidated financial statements:

	At 31 December 2013 HK$'000
Net assets of Wunushan Icewine	**118,405**
Proportion of the Group's ownership interest in Wunushan Icewine and carrying amount of the Group's interest therein	**66,306**

Notes to the Consolidated Financial Statements

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20. INTERESTS IN JOINT VENTURES (Cont'd)

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
The Group's share of post-tax profit	**232**	501
The Group's share of other comprehensive income	**457**	1
The Group's share of total comprehensive income	**689**	502

The Group has discontinued recognition of its share of losses of a joint venture. The amounts of unrecognised share of losses, both for the year and cumulatively, are as follows:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
The unrecognised share of (profit) loss of a joint venture for the year	**(11,459)**	31,346
Cumulative unrecognised share of losses of a joint venture	**129,932**	141,391

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21. INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 January 2012	—
Acquisitions of subsidiaries (Note 39)	239,808
At 31 December 2012	**239,808**
Exchange differences	**6,376**
At 31 December 2013	**246,184**
Amortisation	
At 1 January 2012 and 31 December 2012	**—**
Charge for the year	**14,138**
At 31 December 2013	**14,138**
Carrying value	
At 31 December 2013	**232,046**
At 31 December 2012	239,808

Intangible assets represent patents acquired by the Group through the acquisitions of subsidiaries in the year ended 31 December 2012 and they are considered by the management of the Group as having useful lives between 10 to 11 years.

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22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	2013 HK$'000	2012 HK$'000
Equity securities			
Listed, at market value	(a)	**235,690**	218,323
Unlisted	(b)	**15,482**	15,082
		251,172	233,405
At 1 January		**233,405**	245,586
Exchange differences		**400**	(136)
Disposals		**—**	(36,855)
Change in fair value		**17,367**	24,810
At 31 December		**251,172**	233,405

notes:

(a) The listed securities represent the Group's 8.28% equity interest in Binhai Investment Company Limited ("Binhai Investment") which has been transferred to and listed on the Main Board from the Growth Enterprise Market of the Stock Exchange since 11 February 2014.

As at 31 December 2013, the market value of the Group's equity interest in Binhai Investment was HK$235,690,000 (2012: HK$218,323,000) and the unrealised fair value gain of HK$17,367,000 (2012: HK$24,810,000) was recognised in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement (the "Agreement") with TEDA Hong Kong Property Company Limited ("TEDA HK"), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group agreed to lend its entire shareholding of Binhai Investment ("Shares", being the 8.28% equity interest in Binhai Investment) in order to allow TEDA HK to use the Shares and the voting rights thereto during the term of the Agreement. During the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the Shares.

(b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi and carried at cost.

Notes to the Consolidated Financial Statements

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23. GOODWILL

	HK$'000
Cost	
At 1 January 2012	—
Acquisitions of subsidiaries (Note 39)	158,810
At 31 December 2012	**158,810**
Exchange differences	**4,222**
At 31 December 2013	**163,032**
Impairment	
At 1 January 2012, 31 December 2012 and 31 December 2013	—
Carrying value	
At 31 December 2013	**163,032**
At 31 December 2012	158,810

For the purpose of impairment testing, the above goodwill was allocated, at acquisitions of the relevant subsidiaries, to the electrical and mechanical segment, which is considered to be one group of CGUs.

The Group tests goodwill annually for impairment, or more frequently if there are indications that they might have been impaired.

As at 31 December 2013, the recoverable amount of this group of CGUs was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming 5 years and using discount rates ranging from 11% to 12%. The cash flows beyond the budget years are extrapolated using a steady 3% growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margins, such estimation is based on the units' past performance and management's expectations of the market development.

During the year ended 31 December 2013, management of the Group determines that there are no significant impairments of any of its CGUs containing goodwill.

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24. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**92,388**	105,338
Work in progress	**4,744**	1,970
Finished goods	**31,493**	31,195
Consumable stocks	**1,385**	1,782
	130,010	140,285

25. AMOUNTS DUE FROM (TO) JOINT VENTURES, ULTIMATE HOLDING COMPANY AND SUBSIDIARIES

The Group and The Company

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

26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	At 31 December 2013 HK$'000	At 31 December 2012 and 1 January 2013 HK$'000	Maximum amount outstanding during the year HK$'000
Amounts due from related companies	**41,048**	22,792	43,921
Amounts due to related companies	**(573,094)**	(491,822)	

The balances are denominated in Renminbi and are unsecured, interest-free and have no fixed repayment term. Details of the relationship with related companies are set out in Note 45.

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

	2013	2012
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**4,181,519**	4,072,675
Less: Progress billings	**(3,573,273)**	(3,210,643)
	608,246	862,032
Analysed for reporting purposes as:		
Amounts due from contract customers included in current assets	**762,038**	966,241
Amounts due to contract customers included in current liabilities	**(153,792)**	(104,209)
	608,246	862,032

As at 31 December 2013, retentions of HK$102,376,000 (2012: HK$99,045,000) held by customers for contract works were included in trade receivables.

As at 31 December 2013, advances of HK$18,699,000 (2012: HK$100,800,000) received from customers for contracts entered but not yet commenced were included in other payables.

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

		The Group		The Company	
		2013	2012	**2013**	2012
	notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables					
Fully performing	(a)	**469,263**	565,847	**—**	—
Past due but not impaired	(b)	**205,566**	253,301	**—**	—
Impaired	(c)	**132,505**	136,931	**—**	—
Trade receivables — gross		**807,334**	956,079	**—**	—
Less: allowance for impairment	(c)	**(132,505)**	(136,931)	**—**	—
Trade receivables — net		**674,829**	819,148	**—**	—
Notes receivables		**18,957**	160,523	**—**	—
	(d)	**693,786**	979,671	**—**	—
Other receivables, deposits and prepayments					
Consideration receivable for disposal of a subsidiary	(e)	**37,975**	123,305	**—**	—
Entrusted loans	(f)	**25,316**	184,957	**—**	—
Compensation receivable (Note 7)		**148,678**	—	**—**	—
Others		**243,434**	242,253	**46,202**	12,612
		455,403	550,515	**46,202**	12,612

notes:

(a) Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 to 180 days are granted to corporate customers of the Group's hotel business; and (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment. No credit terms are granted to customers in the utilities segment. Receivables classified as fully performing are trade receivables with no history of default payment.

As at 31 December 2013, the government supplemental income receivable from the TEDA Finance Bureau was fully settled (2012: HK$190,415,000) as referred to in Note 5. Annual government supplemental income receivable does not have credit terms and the amount is to be finalised by the TEDA Finance Bureau after the end of each financial year. Continuous settlements have been received by the Group over the years.

Notes to the Consolidated Financial Statements

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

notes: (Cont'd)

(b) Trade receivables that are past due but not impaired related to a wide range of customers, and management believes that no impairment allowance 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, of these trade receivables is as follows:

	2013	2012
	HK$'000	HK$'000
Within 30 days	**44,749**	48,487
31 to 90 days	**17,649**	10,788
91 to 180 days	**7,568**	19,737
181 to 365 days	**632**	68,765
Over 1 year	**134,968**	105,524
	205,566	253,301

(c) As at 31 December 2013, trade receivables of HK$132,505,000 (2012: HK$136,931,000) 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:

	2013	2012
	HK$'000	HK$'000
Within 30 days	**—**	—
31 to 90 days	**17**	—
91 to 180 days	**44**	4,401
Over 180 days	**132,444**	132,530
	132,505	136,931

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

	2013	2012
	HK$'000	HK$'000
At 1 January	**136,931**	139,808
Exchange differences	**3,639**	(11)
Allowance made in the year	**14,744**	14,674
Reversal of allowance	**(19,511)**	(17,540)
Written off as uncollectible	**(3,298)**	—
At 31 December	**132,505**	136,931

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

notes: (Cont'd)

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

	2013	2012
	HK$'000	HK$'000
Within 30 days	**342,037**	524,526
31 to 90 days	**52,416**	91,301
91 to 180 days	**58,707**	135,628
181 to 365 days	**105,629**	73,339
Over 1 year (note g)	**134,997**	154,877
	693,786	979,671

(e) The amount represents the consideration receivable from the disposal of a subsidiary in prior years and a substantial portion has been settled during the current year.

(f) The amount as at 31 December 2013 represented an entrusted loan to one government-related borrower (2012: two entrusted loans to two government-related borrowers) in the PRC through one PRC financial institution (2012: two PRC financial institutions) carrying interest at fixed rates. A loan of HK$164,557,000 was repaid during the current year. The outstanding amount is repayable within one year and with a fixed interest rate at 6% per annum (2012: from 6% to 6.66% per annum).

(g) As at 31 December 2013, the amounts included retentions held by customers for contract works of HK$102,376,000 (2012: HK$99,045,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	HK$'000	HK$'000
Investments held for trading		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**7,443**	43,024
Unlisted funds in the PRC	**591,420**	388,797
Unlisted bonds in the PRC	**50,509**	987
	654,731	438,167
Market values of listed shares	**12,802**	48,383

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.

30. ENTRUSTED DEPOSITS

As at 31 December 2013, the entrusted deposits were placed with three financial institutions (2012: two financial institutions) based in Tianjin with maturity between 1 to 21 months (2012: 2 to 12 months) after the end of the reporting period. The deposits carry fixed rates of return ranging from 4.7% to 9.0% (2012: 5.6% to 10.0%) per annum.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. CASH AND CASH EQUIVALENTS, TIME DEPOSITS WITH MATURITY OVER THREE MONTHS AND RESTRICTED BANK BALANCES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**3,346,717**	2,678,543	**25,827**	12,230
Time deposits in banks with maturity less than three months	**1,141,538**	1,186,141	**557,072**	616,040
Balances with other financial institutions	**1,660**	217	**—**	1
Cash and cash equivalents	**4,489,915**	3,864,901	**582,899**	628,271
Time deposits in banks with maturity over three months	**98,233**	254,398	**—**	—
Restricted bank balances (note)	**212,250**	102,811	**—**	—
	4,800,398	4,222,110	**582,899**	628,271

note: The restricted bank balances are pledged against the notes payables and bank borrowings.

The carrying amounts of cash and cash equivalents, time deposits with maturity over three months and restricted bank balances approximate their fair values and are mainly denominated in Renminbi.

The effective interest rates on cash at banks, restricted bank balances and time deposits in banks range from 0.15% to 4.65% (2012: 0.05% to 3.50%) per annum; these deposits have maturity from 5 to 283 days (2012: from 3 to 356 days).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. SHARE CAPITAL

	Number of shares thousand	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	3,000,000	300,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	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

For the year ended 31 December 2013

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 2012	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2012	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2013
19 December 2007	17 January 2008 to 24 May 2017	8.040	4,400,000	–	–	(900,000)	3,500,000	**–**	**–**	**–**	**3,500,000**
16 December 2009	16 December 2009 to 24 May 2017	5.750	11,100,000	–	–	(1,900,000)	9,200,000	**–**	**–**	**–**	**9,200,000**
3 December 2010	3 December 2010 to 24 May 2017	6.070	300,000	–	–	–	300,000	**–**	**–**	**–**	**300,000**
7 November 2011	11 November 2011 to 24 May 2017	3.560	16,800,000	–	–	(900,000)	15,900,000	**–**	**–**	**(600,000)**	**15,300,000**
19 December 2012	19 December 2012 to 24 May 2017	4.060	–	18,800,000	–	–	18,800,000	**–**	**–**	**–**	**18,800,000**
20 December 2013	20 December 2013 to 24 May 2017	5.532	–	–	–	–	–	**13,750,000**	**–**	**–**	**13,750,000**
			32,600,000	18,800,000	–	(3,700,000)	47,700,000	**13,750,000**	**–**	**(600,000)**	**60,850,000**

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

Date of grant	**20 December 2013**	19 December 2012
Exercise price	**HK$5.532**	HK$4.060
Expected volatility	**33%**	39%
Expected option life	**Approximate 3.4 years**	Approximate 4.4 years
Annual risk free interest rate	**0.758%**	0.322%
Dividend yield (annual)	**1.8%**	1.8%
Average fair value	**HK$0.9518**	HK$0.9686

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 2013, 53,350,000 share options (2012: 36,700,000 share options) were granted to the directors. Details of the share options granted to directors are set out in section headed "Share Option Scheme" in the Report of the Directors.

All share options were vested immediately upon grant.

The amount of share-based payments is disclosed in Note 11.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. RESERVES

The Group

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share-based payments 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 2012	9,010	5,004,487	83,975	255,996	55,631	359,942	1,393,046	160,893	2,159,342	9,482,322
Profit for the year	–	–	–	–	–	–	–	–	413,094	413,094
Other comprehensive income for the year	–	–	–	–	–	–	8,067	26,932	–	34,999
Share-based payments										
– the Group	–	–	–	–	18,210	–	–	–	–	18,210
– associates	–	–	–	–	562	–	–	–	–	562
Transfer between reserves	–	–	2,566	43,988	–	–	–	–	(46,554)	–
Transfer upon lapse of share options	–	–	–	–	(6,331)	–	–	–	6,331	–
At 31 December 2012 and at 1 January 2013	**9,010**	**5,004,487**	**86,541**	**299,984**	**68,072**	**359,942**	**1,401,113**	**187,825**	**2,532,213**	**9,949,187**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**704,353**	**704,353**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**235,655**	**17,723**	**–**	**253,378**
Share-based payments										
– the Group	**–**	**–**	**–**	**–**	**13,088**	**–**	**–**	**–**	**–**	**13,088**
Transfer between reserves	**–**	**–**	**5,480**	**59,866**	**–**	**–**	**–**	**–**	**(65,346)**	**–**
Transfer upon lapse of share options	**–**	**–**	**–**	**–**	**(561)**	**–**	**–**	**–**	**561**	**–**
At 31 December 2013	**9,010**	**5,004,487**	**92,021**	**359,850**	**80,599**	**359,942**	**1,636,768**	**205,548**	**3,171,781**	**10,920,006**

Retained earnings attributable to associates and accumulated losses attributable to joint ventures amounted to HK$1,150,310,000 (2012: HK$1,016,737,000) and HK$94,219,000 (2012: HK$91,112,000) respectively.

General and statutory reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries established in the 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 available-for-sale revaluation reserve represents cumulative gains arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those available-for sale investments are disposed of or are determined to be impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. RESERVES (Cont'd)

The Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2012	5,004,487	47,729	1,677,990	92,613	6,822,819
Loss for the year	—	—	—	(16,584)	(16,584)
Share-based payments	—	18,210	—	—	18,210
Transfer upon lapse of share options	—	(6,331)	—	6,331	—
Currency translation differences	—	—	(899)	—	(899)
At 31 December 2012 and at 1 January 2013	**5,004,487**	**59,608**	**1,677,091**	**82,360**	**6,823,546**
Loss for the year	**—**	**—**	**—**	**(25,191)**	**(25,191)**
Share-based payments	**—**	**13,088**	**—**	**—**	**13,088**
Transfer upon lapse of share options	**—**	**(561)**	**—**	**561**	**—**
Currency translation differences	**—**	**—**	**184,223**	**—**	**184,223**
At 31 December 2013	**5,004,487**	**72,135**	**1,861,314**	**57,730**	**6,995,666**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. BANK BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Bank borrowings				
— Unsecured	**—**	1,993,500	**—**	1,993,500
Current				
Short term bank borrowings				
— Unsecured	**2,145,068**	393,340	**1,999,500**	—
— Secured	**—**	157,962	**—**	—
Discounted notes with recourse (note e)	**—**	14,612	**—**	—
	2,145,068	565,914	**1,999,500**	—
Total borrowings	**2,145,068**	2,559,414	**1,999,500**	1,993,500

notes:

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings (note f):				
Within one year	**2,145,068**	565,914	**1,999,500**	—
In the second year	**—**	1,993,500	**—**	1,993,500
Wholly repayable within five years	**2,145,068**	2,559,414	**1,999,500**	1,993,500

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Renminbi	**145,568**	565,914	**—**	—
Hong Kong dollars	**1,999,500**	1,993,500	**1,999,500**	1,993,500
	2,145,068	2,559,414	**1,999,500**	1,993,500

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. BANK BORROWINGS (Cont'd)

notes: (Cont'd)

(c) The effective interest rates of bank borrowings at the end of the reporting period are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	%	%	**%**	%
Bank borrowings:				
Renminbi	**3.36**	5.59	**N/A**	N/A
Hong Kong dollars	**1.71**	1.70	**1.71**	1.70

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

(e) During the year ended 31 December 2012, notes receivables HK$14,612,000 were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the notes receivables and the related bank borrowings.

(f) On 18 February 2011, a term loan banking facility (the "Facility") of HK$2,000,000,000 was concluded and included in the bank borrowings of the Group (net of transaction costs). The tenor of the Facility is up to 60 months unless not extended by the lenders at the 36th month from the date of the Facility agreement. Pursuant to the Facility agreement, it 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 control of Tsinlien which is controlled by Tianjin Municipal People's Government.

On 10 December 2013, the Company obtained a new term loan banking facility (the "New Facility") of HK$2,550,000,000 with a tenor up to 60 months unless not extended by the lenders at the 36th month from date of the New Facility agreement. Subsequently on 30 January 2014, HK$2,000,000,000 was drawn down for purpose of repaying in full the Facility.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. DEFERRED TAXATION

	2013 **HK$'000**	2012 HK$'000
Deferred tax assets	**100,077**	106,127
Deferred tax liabilities	**(46,845)**	(119,071)
Deferred tax assets (liabilities), net	**53,232**	(12,944)

notes:

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

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

(c) Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$345,267,000 (2012: HK$280,074,000) 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

For the year ended 31 December 2013

36. DEFERRED TAXATION (Cont'd)

notes: (Cont'd)

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

	Accelerated depreciation HK$'000	Revaluation of property HK$'000	Provisions for impairment HK$'000	Tax losses HK$'000	Fair value adjustments on business combination HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	(18,793)	(76,056)	34,843	87,238	—	(3,237)	23,995
Deferred tax credited (charged) to profit or loss	1,126	(3,699)	—	(5,758)	—	—	(8,331)
Acquisitions of subsidiaries (Note 39)	4,654	—	3,129	2,925	(39,325)	—	(28,617)
Exchange differences	—	9	—	—	—	—	9
At 31 December 2012 and at 1 January 2013	**(13,013)**	**(79,746)**	**37,972**	**84,405**	**(39,325)**	**(3,237)**	**(12,944)**
Deferred tax credited (charged) to profit or loss	**3,217**	**1,344**	**(2,220)**	**(8,278)**	**—**	**—**	**(5,937)**
Disposal of subsidiaries (Note 40(a))	**—**	**74,047**	**—**	**—**	**—**	**—**	**74,047**
Exchange differences	**230**	**(2,120)**	**1,009**	**78**	**(1,046)**	**(85)**	**(1,934)**
At 31 December 2013	**(9,566)**	**(6,475)**	**36,761**	**76,205**	**(40,371)**	**(3,322)**	**53,232**

37. TRADE PAYABLES AND NOTES PAYABLES

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

	2013 HK$'000	2012 HK$'000
Within 30 days	**310,269**	501,408
31 to 90 days	**283,766**	371,657
91 to 180 days	**464,031**	319,209
Over 180 days	**230,403**	222,544
	1,288,469	1,414,818

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. OTHER PAYABLES AND ACCRUALS

The amount mainly consists of receipts in advance and accruals. The amount as at 31 December 2012 also included the outstanding consideration payable on the acquisitions of subsidiaries as set out in Note 39 and the amount was fully settled in January 2013.

39. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2012

On 1 November 2012, Tianjin Tai Kang (as defined in Note 47), a non-wholly owned subsidiary of the Company, entered into two agreements with Tianjin Benefo Machinery & Electric Holding Co., Ltd. (天津百利機電控股集團有限公司), a company established in the PRC and controlled by the Tianjin Municipal People's Government, in relation to the acquisitions of (i) 56.62% equity interest in Tianduan at a consideration of RMB455,557,000 (equivalent to HK$560,334,000, by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012); and (ii) 66% equity interest in Tianfa Equipment at a consideration of RMB301,984,000 (equivalent to HK$371,439,000 by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012) (the "Acquisition(s)"). The purpose of the Acquisitions is to enable the Group to expedite business restructuring and explore new businesses. All the conditions precedent were fulfilled on 31 December 2012 and accordingly, the Acquisitions were completed and control over Tianduan and Tianfa Equipment was passed to the Group on the same date.

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

Upon completion of the Acquisitions, Tianduan and Tianfa Equipment became 78.45% and 100% owned subsidiaries of the Group, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2012 (Cont'd)

Assets acquired and liabilities recognised at the Acquisitions date are as follows:

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

Notes to the Consolidated Financial Statements

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39. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

For the year ended 31 December 2012 (Cont'd)

notes:

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

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

(c) In the consolidated financial statements for the year ended 31 December 2012, the fair values of these items and relevant deferred tax impact were provisionally determined at the Acquisitions date with reference to preliminary professional valuation conducted by an independent valuer. Upon the finalisation of the professional valuations during the current year, such fair values and accordingly, goodwill, have been ascertained and concluded by the directors of the Company and no adjustments to the provisional amounts are necessary. The intangible assets represent patents of Tianduan and Tianfa Equipment.

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

(e) Goodwill arose in the Acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tianduan and Tianfa Equipment. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

(f) The total acquisition-related costs of HK$17,000,000 were excluded from the costs of the Acquisitions and recognised as an expense in the year ended 31 December 2012, within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

(a) On 28 June 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in a subsidiary, Loyal Right Limited ("Loyal Right"), at a consideration of RMB351,953,000 (equivalent to HK$445,510,000). Loyal Right is an investment holding company incorporated in the British Virgin Islands with limited liability and, through its subsidiaries, owns 75% equity interest in a hotel property located at Tianjin. The disposal was completed in August 2013 and the net assets of Loyal Right at the date of disposal were as follows:

	HK$'000
Cash consideration received	445,510
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	111,662
Land use rights	220,756
Trade receivables	11
Other receivables, deposits and prepayments	54,075
Cash and cash equivalents	1,708
Deferred tax liabilities	(74,047)
Other payables and accruals	(4,110)
Net assets disposed of	310,055
Gain on disposal:	
Consideration received	445,510
Net assets disposal of	(310,055)
Non-controlling interests	47,648
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	7,900
	191,003
Less: transaction costs	(19,152)
Gain on disposal	171,851
Net cash inflow arising on disposal:	
Cash consideration	445,510
Less: transaction costs paid	(9,583)
Less: cash and cash equivalents disposed of	(1,708)
	434,219

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES (Cont'd)

(b) In May 2013, Wunushan Icewine, a 70% owned subsidiary, entered into a capital contribution agreement with an independent third party (the "Party") and pursuant to which, the Party injected new capital of RMB19,650,000 (equivalent to HK$24,873,000) into Wunushan Icewine in the same month and the Group's shareholding was then diluted to 56%. Following this capital contribution and the change of composition of the board of directors, the Group effectively lost control over Wunushan Icewine in July 2013 and accordingly, accounted for Wunushan Icewine as a joint venture thereafter. The net assets of Wunushan Icewine at the date of this deemed disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	94,050
Land use rights	24,230
Inventories	134
Other receivables, deposits and prepayments	11,670
Cash and cash equivalents	17,435
Other payables and accruals	(23,152)
Net assets disposal of	124,367
Gain or loss on deemed disposal:	
Remeasurement of retained 56% equity interest at its fair value	69,645
Non-controlling interests	54,722
Net assets disposed of	(124,367)
Gain or loss on deemed disposal	—
Cash outflow arising on disposal:	
Cash and cash equivalents disposed of	17,435

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. OPERATING LEASES

The Group and the Company as lessees

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Not later than one year	**4,358**	9,019	**4,134**	7,327
Later than one year and not later than five years	**—**	6,112	**—**	5,094
	4,358	15,131	**4,134**	12,421
Plants, pipelines and networks				
Not later than one year	**2,636**	70,434	**—**	—
Later than one year and not later than five years	**1,292**	3,436	**—**	—
	3,928	73,870	**—**	—
	8,286	89,001	**4,134**	12,421

The Group and the Company as lessors

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment properties				
Not later than one year	**8,920**	8,347	**5,443**	8,347
Later than one year and not later than five years	**20,775**	21,238	**18,597**	21,238
Over five years	**—**	2,209	**—**	2,209
	29,695	31,794	**24,040**	31,794

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

42. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	HK$'000
Authorised but not contracted for in respect of		
— Improvements on plant and machinery	**959,000**	1,072,095
Contracted but not provided for in respect of		
— Property, plant and equipment	**296,030**	259,894

43. PLEDGE OF ASSETS

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

	2013	2012
	HK$'000	HK$'000
Buildings	**—**	41,036
Land use rights	**—**	87,571
Bank deposits	**212,250**	102,811
Notes receivables	**—**	14,612
	212,250	246,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash generated from operations:

	2013	2012
	HK$'000	HK$'000
Profit before tax	**843,460**	545,095
Adjustments for:		
Share of profit of associates	**(556,263)**	(458,535)
Share of loss (profit) of joint ventures	**3,107**	(501)
Finance costs	**52,782**	63,233
Interest income	**(214,556)**	(162,997)
Depreciation	**141,586**	97,935
Amortisation	**22,635**	6,992
Impairment loss on property, plant and equipment	**—**	30,000
Gain on disposal of subsidiaries	**(171,851)**	—
Gain on fair value change of investment properties	**—**	(25,228)
Gain on disposal of associates	**—**	(58,682)
Net exchange gain	**(19,205)**	(5,063)
Net (gain) loss on disposal of property, plant and equipment/land use rights	**(278,610)**	3,159
Net gain on disposal of available-for-sale financial assets	**—**	(4,644)
Reversal of allowance for trade receivables	**(4,767)**	(2,866)
Share-based payments	**13,088**	18,210
Unrealised (gain) loss on financial assets at fair value through profit or loss	**(1,128)**	170
Changes in working capital:		
Inventories	**13,501**	501
Trade receivables	**166,460**	90,379
Notes receivables	**142,057**	(2,344)
Other receivables, deposits and prepayments	**(15,894)**	(14,990)
Financial assets at fair value through profit or loss	**(203,931)**	(75,661)
Trade payables	**(294,223)**	63,428
Notes payables	**139,812**	21,367
Other payables and accruals	**89,265**	61,578
Amount due from ultimate holding company	**1,023**	(181)
Amounts due from/to related companies	**138,649**	66,166
Amounts due from/to customers for contract work	**269,536**	—
Net cash generated from operations	**276,533**	256,521

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

45. RELATED PARTY TRANSACTIONS

The Group is controlled by Tsinlien, which owned 62.56% (2012: 59.01%) of the Company's shares as at 31 December 2013. The remaining 37.44% (2012: 40.99%) of the Company's shares are widely held.

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

For the years ended 31 December 2013 and 2012, except for the government supplemental income granted by the TEDA Finance Bureau to the utilities business (Note 5), the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include majority of its cash at banks and time deposits in banks and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water which constituted the majority of the Group's purchases). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances during the year ended 31 December 2013 set out in Notes 7, 25, 26, 28(e) and 39, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

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

	2013 **HK$'000**	2012 HK$'000
Operating lease expenses for land	**3,948**	4,375
Operating lease expenses for plants, pipelines and networks	**156,491**	150,801
Purchase of materials	**3,729**	—
Purchase of steam for sale	**875,046**	901,729
Purchase of property, plant and equipment	**20,837**	—

note: The related companies 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

For the year ended 31 December 2013

45. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Key management compensation

	2013	2012
	HK$'000	HK$'000
Fees	**—**	—
Salaries and other emoluments	**21,024**	19,775
Share-based payments	**9,724**	15,450
	30,748	35,225

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board on 27 March 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2013 are set out below:

Name	Principal activities	Registered capital/ issued and paid up capital	Percentage Attributable to the Group	Percentage Held by the Company	Percentage 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 Investment Co., Ltd. ("Tianjin Tai Kang") (formerly known as "Tianjin Tai Kang Industrial Co., Ltd.)	Investment holding	RMB1,030,269,383	**82.74**	**82.74**	**–**
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB838,239,651	**100**	**100**	**–**
Tianjin TEDA Tsinlien Electric Power Co., Ltd.	Supply of electricity	RMB314,342,450	**94.36**	**–**	**94.36**
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	Supply of water	RMB163,512,339	**91.41**	**–**	**91.41**
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	Supply of steam and thermal power	RMB262,948,258	**90.94**	**–**	**90.94**
Tianjin Tianduan Press Co., Ltd. ("Tianduan")	Manufacture and sale of presses and mechanical equipments	RMB50,776,070	**64.91**	**–**	**78.45**
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment")	Manufacture and sale of hydroelectric equipments and large scale pump units	RMB180,597,627	**82.74**	**–**	**100**
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	**–**
Famous Ever Group Limited	Investment holding	US$1	**100**	**100**	**–**
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	**–**
Established and operating in Hong Kong					
Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong	HK$200,000	**100**	**–**	**100**
Godia Holdings Limited	Investment holding	HK$15	**100**	**–**	**100**

note: None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. PRINCIPAL SUBSIDIARIES (Cont'd)

Composition of the Group

At the end of the reporting period, the Company has 24 other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Tianjin Tai Kang	The PRC	**70,810**	82,222	**706,092**	616,731
Individually immaterial subsidiaries with non-controlling interests				**71,695**	233,123
				777,787	849,854

Summarised financial information in respect of Tianjin Tai Kang is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tianjin Tai Kang

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
Current assets	**2,710,785**	2,867,024
Non-current assets	**1,926,911**	1,971,275
Current liabilities	**(2,003,167)**	(2,641,395)
Non-current liabilities	**(40,371)**	(39,325)
Equity attributable to owners of the Company	**1,888,066**	1,540,848
Non-controlling interests	**706,092**	616,731

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. PRINCIPAL SUBSIDIARIES (Cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

Tianjin Tai Kang (Cont'd)

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Revenue	**1,002,547**	—
Share of profit of associates	**383,876**	421,585
Profit for the year	**377,068**	476,375
Other comprehensive income for the year	**57,444**	1,545
Total comprehensive income for the year	**434,512**	477,920
Profit for the year attributable to non-controlling interests	**70,810**	82,222
Total comprehensive income for the year attributable to non-controlling interests	**87,294**	82,489
Prior years' dividends paid to non-controlling interests during the year	**(96,158)**	—
Net cash inflow (outflow) from operating activities	**70,626**	(11,834)
Net cash inflow from investing activities	**154,102**	735,003
Net cash (outflow) inflow from financing activities	**(136,695)**	41,184
Net cash inflow	**88,033**	764,353

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

48. PRINCIPAL ASSOCIATES

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

49. PRINCIPAL JOINT VENTURES

Name	Principal activities	Registered capital/ issued and paid up capital	Percentage Attributable to the Group	Percentage Held by the Company	Percentage Held by subsidiaries
Established and operating in the PRC					
Tianjin Haihe Dairy Company Limited ("Tianjin Haihe Dairy")	Produce and sale of dairy products	RMB200,000,000	**40**	–	**40**
Liaoning Wunushan Icewine Co., Ltd. ("Wunushan Icewine")	Operation of hospitality business	RMB98,250,000	**56**	–	**56**

Financial Summary

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Results					
Revenue	2,841,186	3,223,034	3,517,032	3,890,394	**4,952,429**
Operating profit (loss) less finance costs	126,021	(844,591)	14,822	86,059	**290,304**
Share of profit (loss) of:					
Associates	342,306	551,165	603,451	458,535	**556,263**
Joint ventures	(9,940)	(19,522)	(1,088)	501	**(3,107)**
Profit (loss) before tax	458,387	(312,948)	617,185	545,095	**843,460**
Tax expense	(32,934)	(53,667)	(109,662)	(58,375)	**(68,602)**
Profit (loss) for the year from continuing operations	425,453	(366,615)	507,523	486,720	**774,858**
Profit (loss) for the year from operation of toll roads and port services	(646,470)	818,105	—	—	**—**
Profit (loss) for the year	(221,017)	451,490	507,523	486,720	**774,858**
Attributable to:					
Owners of the Company	(195,141)	474,172	437,195	413,094	**704,353**
Non-controlling interests	(25,876)	(22,682)	70,328	73,626	**70,505**
	(221,017)	451,490	507,523	486,720	**774,858**
Dividends	55,508	—	—	—	**70,779**
Assets and liabilities					
Total assets	16,286,254	13,173,667	14,431,733	17,587,863	**17,606,659**
Total liabilities	5,509,908	3,766,934	4,249,728	6,682,075	**5,802,119**
Total equity	10,776,346	9,406,733	10,182,005	10,905,788	**11,804,540**