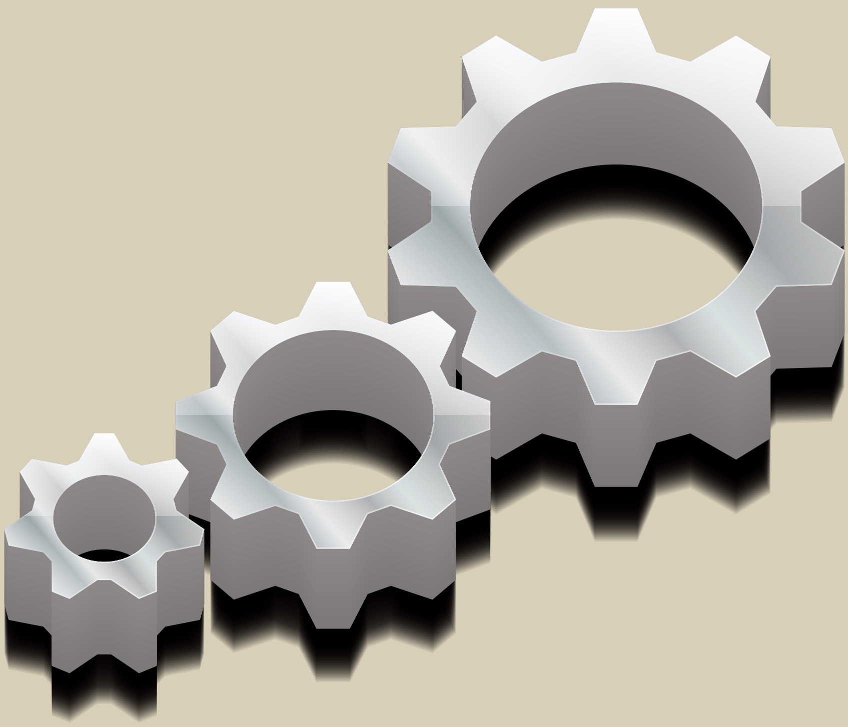
天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882



ANNUAL REPORT 2014

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Xiaoping *(Chairman)*
Mr. Wang Zhiyong *(General Manager)*
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan

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

AUTHORISED REPRESENTATIVES

Mr. Zeng Xiaoping
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

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 equipment
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipment

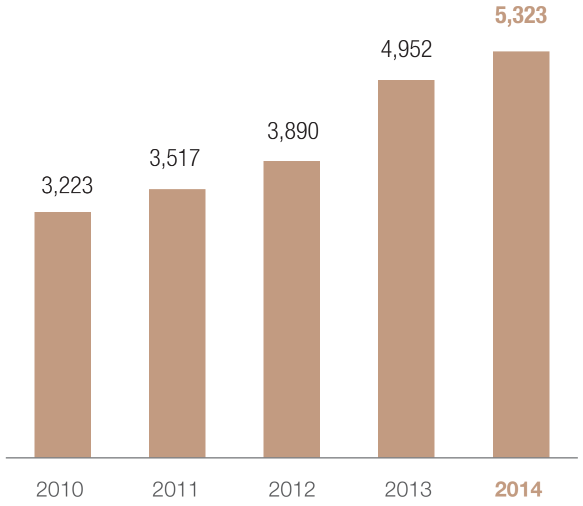
STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
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

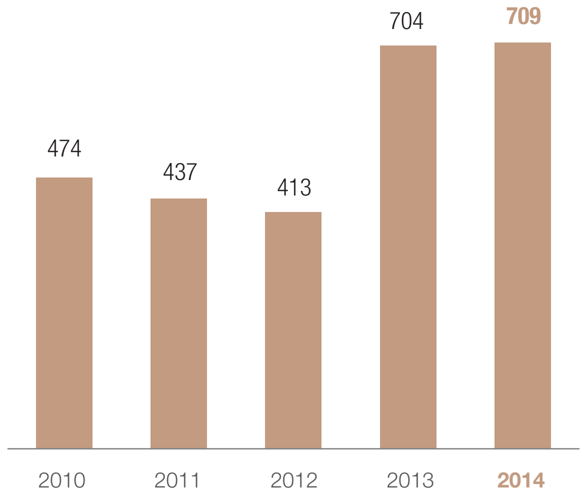
note: The above shareholding percentages represent effective equity interest in respective companies or group of companies.

Financial Highlights

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



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



Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

for the year ended 31 December

Turnover

	2014 HK$ million	2013 HK$ million	Changes (%)
Utilities	**3,931**	3,832	2.6
Hotel (note 1)	**119**	118	0.8
Electrical and Mechanical	**1,273**	1,002	27.0
	5,323	4,952	7.5

Profit (Loss) Attributable to Owners of the Company

	2014 HK$ million	2013 HK$ million	Changes HK$ million
Utilities	**68**	66	2
Hotel	**22**	18	4
Electrical and Mechanical	**(152)**	11	(163)
Winery (note 2)	**—**	—	—
Port Services	**172**	170	2
Elevators and Escalators	**435**	318	117
Corporate and Others	**164**	121	43
	709	704	5

notes:

1. The hotel property in Tianjin has been disposed of in August 2013.

2. As Dynasty has not published any financial information for the years ended 31 December 2014 and 2013, the Group has not equity accounted for its share of result of Dynasty. The Group has disposed of its interest in Dynasty in June 2014.

Chairman's Statement

Mr. Zeng Xiaoping
Chairman

PROFIT AND DIVIDEND FOR THE YEAR 2014

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2014 was approximately HK$708.6 million, as compared to HK$704.4 million of last year. The Board recommends payment of a final dividend of HK5.65 cents per share for the year ended 31 December 2014. This final dividend, together with the interim dividend of HK4.20 cents per share already paid, will make a total of HK9.85 cents per share for the full year, representing an increase of 48.6% over the previous year.

BUSINESS OVERVIEW

In 2014, the Company achieved satisfactory results. During the year, the disposal of entire equity interest in Dynasty had been completed and recorded a disposal gain of approximately HK$235.4 million. A right-time adjustment of asset portfolio will be beneficial to the Company in the long run and will enhance corporate value.

Benefiting from the development in the Tianjin Economic-Technological Development Area and tariffs adjustments, the utility sector achieved a good performance during the year.

The results of Hotel Courtyard by Marriott in Hong Kong was in line with our expectation. Throughout the year, business visitors remained stable while the room rate was elevated slightly and the average occupancy rate was at approximately 85%.

Electrical and mechanical business continued to face more difficulties. During the year, this segment reported a revenue of approximately HK$1,273.4 million, even though an increase of 27% over that of last year, it was still in significant loss.

During the year, the Company's strategic investments delivered encouraging results. The profit contributions from Tianjin Port Development Holdings Limited and OTIS Elevator (China) Investment Company Limited have achieved our expected targets.

Chairman’s Statement

OUTLOOK

Looking ahead to 2015, the global economic environment is expected to be stable. The American economy has shown signs of recovery while the Eurozone economies will face downside risk and financial instability associated with the uncertainties in Greece, which may adversely affect the global economy. The Chinese economy in 2015 is going to step into a new phase of development. With the implementation of a series of supportive economic policies, we believe the Chinese economy will continue to maintain a steady growth.

For the development of the Company, 2015 will be a crucial year. The Company will continue to accelerate the pace of business integration and endeavour to create greater value for the shareholders. Meanwhile, the Company will continue to adopt a prudent approach in its development and retain the discipline in financial management so as to achieve sustainable growth in the long run. We are optimistic for the future.

I would like to take this opportunity to thank the Board members and all our staff for their hard work and efforts throughout the year.

Zeng Xiaoping
Chairman

Hong Kong, 26 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operated 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 2014, revenue from the Electricity Company was approximately HK$2,517.6 million, an increase of 6.7% from HK$2,359.1 million last year. Profit increased 16.8% to approximately HK$32.7 million from HK$28 million last year. This was primarily due to the improvement in operating margins as a result of the increase in electricity tariff. The total quantity of electricity sold for the year was approximately 2,618,706,000 kWh, representing a decline of 2.6% 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 2014, the Water Company reported revenue of approximately HK$397 million representing an increase of 2.5% over last year and recorded a profit of approximately HK$1.9 million compared to a loss of HK$4.5 million in 2013. The result was attributable to the improved operating margins, driven by tariff adjustments and rising demand. The total quantity of water sold for the year was approximately 51,709,000 tonnes, representing an increase of 4.2% 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 2014, the Heat & Power Company reported revenue of approximately HK$1,016.2 million representing a decrease of 6.4% and recorded profit of approximately HK$38.6 million, a decrease of 15% compared to 2013. The decline in profit reflected the increase in pipeline maintenance costs partly offset by a combination of tariff adjustments and reduction in finance costs. The total quantity of steam sold for the year was approximately 3,483,000 tonnes, representing a decrease of 13.7% over last year.

Hotel

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

In 2014, Courtyard Hotel reported revenue of approximately HK$118.5 million, an increase of 1% from HK$117.4 million last year. Profit amounted to approximately HK$22.3 million which was broadly in line with last year. The average occupancy rate was approximately 85.4%, a slight decline as compared to 87% in 2013, while the average room rate rose by 3% over last year.

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 2014, revenue from electrical and mechanical segment was approximately HK$1,273.4 million representing an increase of 27% over last year and reported a loss of HK$173.8 million compared to a profit of HK$19.8 million in 2013. The decline was primarily due to the absence of a one-off gain on relocation compensation of HK$278 million in last year and provision of impairment loss of HK$51 million on goodwill made related to hydroelectric equipment business, and amounts written off of HK$40.5 million on property, plant and equipment in connection with plant relocation. These were partly offset by the decrease in construction contracts cost estimate adjustments and the revenue growth during the year. If not taking into account the impairment loss provision and amounts written off on property, plant and equipment, the loss would have been approximately HK$82.3 million.

Strategic and Other Investments

Port Services

During the year, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) increased by 51.8% to approximately HK$33,560 million and profit attributable to owners of Tianjin Port was approximately HK$819.1 million, representing an increase of 1% over 2013.

Tianjin Port contributed to the Group a profit of approximately HK$172 million, representing an increase of 1% as compared with last year.

Management Discussion and Analysis

Elevators and Escalators

During the year, the revenue of Otis Elevator (China) Investment Company Limited ("Otis China") amounted to approximately HK$26,891.4 million, representing an increase of 36.7% over last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$434.6 million, representing an increase of 36.8% over 2013.

Investment in Binhai Investment Company Limited

During the year, the Group had 5.28% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 2886). As at 31 December 2014, the market value of the Group's interest in Binhai Investment was approximately HK$205.9 million (2013: approximately HK$235.7 million) and the unrealised fair value loss of approximately HK$29.8 million (2013: a gain of HK$17.4 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 in order to allow TEDA HK to use the shares and the voting rights thereto. TEDA HK had to pay to the Group any income or entitlements in respect of the shares. TEDA HK had returned the shares to the Group in November 2014.

Disposal of Investment in Dynasty Fine Wines Group Limited

On 5 May 2014, the Company had entered into a sale and purchase agreement with Tsinlien Group Company Limited, the ultimate holding company of the Company, for the disposal of its entire interest in Famous Ever Group Limited, which owns 44.7% of interest in Dynasty Fine Wines Group Limited (stock code: 828), at a cash consideration of HK$890 million. The disposal was completed on 26 June 2014 and the Group recognised a gain of approximately HK$235.4 million. Details of the disposal were set out in the Announcement and the Circular of the Company dated 5 May 2014 and 27 May 2014 respectively.

Management Discussion and Analysis

PROSPECT

Looking ahead to 2015, the global economic environment is expected to be stable. The American economy has shown signs of recovery while the Eurozone economies will face downside risk and financial instability associated with the uncertainties in Greece, which may adversely affect the global economy. The Chinese economy in 2015 is going to step into a new phase of development. With the implementation of a series of supportive economic policies, we believe the Chinese economy will continue to maintain a steady growth.

For the development of the Company, 2015 will be a crucial year. The Company will continue to accelerate the pace of business integration and endeavour to create greater value for the shareholders. Meanwhile, the Company will continue to adopt a prudent approach in its development and retain the discipline in financial management so as to achieve sustainable growth in the long run. We are optimistic for the future.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2014, the Group's total cash on hand, total bank borrowings and obligations under finance leases stood at approximately HK$6,063.8 million, approximately HK$2,757 million and approximately HK$38.1 million respectively (31 December 2013: HK$4,800.4 million, HK$2,145.1 million and nil respectively). The bank borrowings of HK$226.5 million (2013: approximately HK$2,145.1 million) and obligations under finance leases of HK$19 million (2013: Nil) will mature within one year.

The gearing ratio as measured by total borrowings, including bank borrowings and obligations under finance leases, to shareholders' funds was at approximately 25% as at 31 December 2014 (2013: approximately 20%).

Of the total HK$2,757 million bank borrowings outstanding as at 31 December 2014, HK$2,530.5 million were subject to floating rates with a spread of 1.8% over HIBOR of relevant interest periods and HK$38 million was calculated at 0.7% over LIBOR of relevant interest periods. RMB149 million (equivalent to approximately HK$188.5 million) of bank borrowings was fixed-rate debts with annual interest rates at 3.2% to 5.31%. Annual interest rate for the obligations under finance leases was 6%.

As at 31 December 2014, 91.8% (31 December 2013: 93%) of the Group's total bank borrowings was denominated in HK dollars, 6.8% (31 December 2013: 7%) was denominated in Renminbi and 1.4% (31 December 2013: Nil) was denominated in US dollar.

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 2,700 employees of which approximately 420 were management personnel and 850 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.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2014, restricted bank balance of approximately HK$279.5 million was pledged against notes payable of approximately HK$378 million and secured the bank borrowings of approximately HK$38 million.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK5.65 cents per share for the year ended 31 December 2014 (2013: HK6.63 cents per share) to the shareholders whose names appear on the Company's register of members on 11 June 2015. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 3 June 2015, the final dividend will be paid on or about 13 July 2015.

This together with the interim dividend of HK4.20 cents per share paid on 27 October 2014 makes a total of HK9.85 cents per share for the year (2013: HK6.63 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2015 (Monday) to 3 June 2015 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 29 May 2015 (Friday).

The register of members of the Company will be closed from 9 June 2015 (Tuesday) to 11 June 2015 (Thursday), 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 8 June 2015 (Monday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZENG Xiaoping, aged 57, was appointed as the Chairman and Executive Director of the Company on 16 July 2014. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Zeng is a chief senior engineer, graduated from Jiangxi Institute of Metallurgy (now known as Jiangxi University of Science and Technology) with a Bachelor's Degree in Metallurgical Engineering in 1982 and a Master of Business Administration Degree from Tianjin University in 1998. Prior to joining the Company, he had served various executive roles in Tianjin Tiangang Group Co., Ltd. (天津天鋼集團有限公司), Tianjin Metallurgical Industry General Corporation (天津市冶金工業總公司) and Tianjin Metallurgy Group (Holdings) Co., Ltd. (天津市冶金集團(控股)有限公司). He had been the Deputy General Manager of Tianjin Iron & Steel Group Co., Ltd. from 2003 to 2009; Chairman and General Manager of Tianjin Metallurgy Group (Holdings) Co., Ltd. (天津市冶金集團(控股)有限公司) from 2009 to 2013. Besides, he was also the Deputy General Manager of Bohai Steel Group Co., Ltd. (渤海鋼鐵集團有限公司) and Chairman of Tianjin Metallurgy Group (Holdings) Co., Ltd. (天津市冶金集團(控股)有限公司) during the period from 2013 to 2014. Mr. Zeng is currently the Chairman of Tsinlien Group Company Limited and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), both being controlling shareholders of the Company. He has extensive experience in corporate management and strategic planning.

Mr. WANG Zhiyong, aged 43, was appointed as an Executive Director of the Company on 27 October 2009 and the General Manager of the Company on 16 July 2014. He is also a member of the Nomination Committee and the Investment Committee of the Company. Mr. Wang is currently a director and general manager of Tsinlien Group Company Limited and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). He 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. He also served as a non-executive director of Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265) until 3 November 2014, a company whose shares are listed on the Stock Exchange.

Mr. TUEN Kong, Simon, aged 52, was appointed as an Executive Director of the Company on 27 March 2013. Mr. Tuen 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 and Deputy General Manager of the Company on 18 February 2014. 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 director of Tsinlien Group Company Limited and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). She has extensive experience in corporate management, finance and trading.

Ms. ZHANG Lili, aged 49, was appointed as an Executive Director of the Company on 16 July 2014. Ms. Zhang holds a doctorate degree in engineering and senior engineer qualification at professor level. She has over 20 years of work experience in port enterprises. From 1986 to 2011, Ms. Zhang was deputy division chief and deputy head of the planning and construction department of Tianjin Port Authority, general manager of Tianjin Port Bulk Cargo Logistics Co., Ltd. (天津港散貨物流有限責任公司), deputy chief engineer, commander-in-chief of Dongjiang construction command unit, chief engineer and deputy chief executive officer of Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司). From 2010 to 2011, she was also a director of Tianjin Port Holdings Co., Ltd. (天津港股份有限公司). Ms. Zhang was the mayor of the Nankai District of Tianjin from 2011 to 2013. She is currently the chairman of Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) and an executive director and the chairman of Tianjin Port Development Holdings Limited (Stock Code: 3382).

Dr. YANG Chuan, aged 46, was appointed as an Executive Director of the Company on 26 March 2015. Dr. Yang is a senior economist, graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1990, and obtained a Master's Degree in Economics in 1996 and a Doctoral Degree in Economics from Nankai University in 2001. Dr. Yang acts as the chairman and general manager of Tianjin Tai Kang Investment Co., Ltd. ("Tai Kang"), a non-wholly owned subsidiary of the Company, and concurrently as assistant to general manager of Tianjin BENEFO Machinery Equipment Group Co., Ltd. (天津百利機械裝備集團有限公司) since 2012. Prior to joining Tai Kang, he had served in various executive roles including the chairman and general manager of Zowee Department Stores Group Stock Co., Ltd. (中原百貨集團股份有限公司), the chairman and general manager of Tianjin Hi-Tech Development Co., Ltd. (天津海泰科技發展股份有限公司) (Stock Code: 600082), a company whose shares are listed on the Shanghai Stock Exchange, as well as the general manager of Maigou (Tianjin) Group Co., Ltd. (麥購(天津)集團有限公司). Dr. Yang has extensive experience in capital operation and corporate management.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, Edward, *BBS*, aged 65, 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, 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.

Dr. CHAN Ching Har, Eliza, *JP, BBS, LL.D. (Hon)*, aged 58, 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 and a Governor of The Canadian Chamber of Commerce in Hong Kong. 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, Member of the Hong Kong Immigration Tribunal and Member of the Board of the Hong Kong Science and Technology Park Corporation. 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 87, 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 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. He also served as an independent non-executive director of Wing Hang Bank, Limited until 1 August 2014, a company whose shares were previously listed on the Stock Exchange.

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, ASA*, aged 65, 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 a Certified Tax Advisor 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, became its managing director in January 2008 and then Senior Advisor in September 2014. 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 a member of Hong Kong Professional Consultants Association and the Chairman of 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, Senior Citizen Home Safety Association, H5N1 Concern Group and The Hong Kong International Film Festival Society Limited; 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Ms. NG Yi Kum, Estella, aged 57, 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.

Mr. WONG Shiu Hoi, Peter, aged 74, 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 the past chairman of The Hong Kong Institute of Directors and was a director of the Hong Kong Securities and Investment Institute as well as an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited. He is currently an overseas business advisor of Haitong Securities Company Limited and a consultant of Halcyon Holdings Limited. Mr. Wong is also an independent non-executive director of High Fashion International Limited (Stock Code: 608), Agile Property Holdings Limited (Stock Code: 3383) and Target Insurance (Holdings) Limited (Stock Code: 6161), all companies are listed on the Stock Exchange.

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 65, 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 39 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), V1 Group 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), China Household Holdings Limited (Stock Code: 692), Tianhe Chemicals Group Limited (Stock Code: 1619) and Wing Tai Investment Holdings Limited (Stock Code: 876), all of these companies are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. JIN Baoxin, aged 49, Deputy General Manager of the Company. Mr. Jin is a senior economist, graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in International Finance in 1988 and a Master's Degree in Economics from Nankai University in 2001. Prior to joining of the Company, he has worked in various role including deputy manager of treasury department of Tianjin International Trust and Investment Corporation (天津市國際信託投資公司), assistant to president and concurrently manager of strategic planning department of Tianjin International Investment Co., Ltd. (天津國際投資有限公司) as well as assistant to president and concurrently manager of direct finance department of Tianjin Financial Investment and Services Group Co., Ltd. (天津津融投資服務集團有限公司). Mr. Jin has extensive experience in capital market. He is currently a director of Tsinlien Group Company Limited and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司).

Ms. SHI Jing, aged 44, 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 a director of Tsinlien Group Company Limited and the assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). She is also an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828) and Binhai Investment Company Limited (Stock Code: 2886).

Mr. CHONG Ching Hei, aged 42, 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. Mr. Cheung Wing Yui, Edward, non-executive director of the Company, was unable to attend the extraordinary general meeting of the Company held on 16 June 2014 as he was not in Hong Kong at the time.

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

Board Composition

As at 31 December 2014, the Board comprises thirteen members consisting of six 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. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)
Mr. Wang Zhiyong *(General Manager)*	
Mr. Zhang Wenli	
Mr. Tuen Kong, Simon	
Dr. Cui Di	
Ms. Zhang Lili	(appointed on 16 July 2014)
Mr. Yu Rumin	(resigned on 16 July 2014)
Mr. Wu Xuemin	(resigned on 16 July 2014)
Mr. Dai Yan	(resigned on 30 June 2014)
Mr. Hao Feifei	(appointed on 30 January 2014 and resigned on 16 July 2014)
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

Board Composition (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 19 of this Annual Report.

Non-executive directors are appointed for a specific term of three years and subject to retirement by rotation and re-election at the general meeting in accordance with the articles of association of the Company (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 and save for the directorships as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this Annual Report, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between members of the Board and in particular, between the Chairman and the General Manager.

The Company has arranged appropriate insurance cover in respect of directors' and officers' liabilities for 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 2014, 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. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)	2/2
Mr. Wang Zhiyong *(General Manager)*		3/3
Mr. Zhang Wenli		3/3
Mr. Tuen Kong, Simon		3/3
Dr. Cui Di		3/3
Ms. Zhang Lili	(appointed on 16 July 2014)	1/2
Mr. Yu Rumin	(resigned on 16 July 2014)	1/1
Mr. Wu Xuemin	(resigned on 16 July 2014)	1/1
Mr. Dai Yan	(resigned on 30 June 2014)	1/1
Mr. Hao Feifei	(appointed on 30 January 2014 and resigned on 16 July 2014)	0/1
Mr. Bai Zhisheng	(resigned on 30 January 2014)	0/0
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		2/3
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		2/3
Mr. Wong Shiu Hoi, Peter		3/3
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 should be separate and should not be performed by the same individual.

Mr. Zeng Xiaoping, Chairman of the Company, 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, he also ensures that the non-executive directors make contribution at the Board meetings.

Mr. Wang Zhiyong, General Manager of the Company, 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, he ensures smooth operations and development of the Company and keeps all other directors fully informed of all major business developments and issues. He 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.

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.

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 November 2014, 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. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)	A
Mr. Wang Zhiyong *(General Manager)*		A & B
Mr. Zhang Wenli		A
Mr. Tuen Kong, Simon		A & B
Dr. Cui Di		A & B
Ms. Zhang Lili	(appointed on 16 July 2014)	A
Mr. Yu Rumin	(resigned on 16 July 2014)	N/A
Mr. Wu Xuemin	(resigned on 16 July 2014)	N/A
Mr. Dai Yan	(resigned on 30 June 2014)	N/A
Mr. Hao Feifei	(appointed on 30 January 2014 and resigned on 16 July 2014)	N/A
Mr. Bai Zhisheng	(resigned on 30 January 2014)	N/A
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		B
Dr. Chan Ching Har, Eliza		A
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		A
Mr. Mak Kwai Wing, Alexander		A
Ms. Ng Yi Kum, Estella		B
Mr. Wong Shiu Hoi, Peter		A
Dr. Loke Yu		A

Notes:

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

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. Zeng Xiaoping. 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 2014, 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. Zeng Xiaoping	(appointed on 16 July 2014)	1/1
Mr. Wu Xuemin	(resigned on 16 July 2014)	2/2

The Remuneration Committee held a meeting on 5 February 2015. At the meeting, bonuses for the Company's directors, senior management and employees for the year ended 31 December 2014 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 2014 are set out in Note 11 and Note 33 to the financial statements.

Corporate Governance Report

Audit Committee

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

Set out below is a summary of work performed by the Audit Committee in 2014:

— reviewed the financial statements for the year ended 31 December 2013 and for the six months ended 30 June 2014;

— reviewed internal control matters with the external consultant;

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

— considered 2014 audit fees and audit work.

The Audit Committee held two meetings in 2014. 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.

Corporate Governance Report

Investment Committee (Cont'd)

During the year, the Investment Committee held one meeting and separately dealt with a discloseable and connected transaction by way of resolutions in writing. Details of the transaction may refer to the Company's Announcement dated 5 May 2014 and Circular to the shareholders dated 27 May 2014. The attendance of committee members is recorded below:

Name of Director	Attendance of Investment Committee Meeting
Mr. Mak Kwai Wing, Alexander *(Chairman)*	1/1
Dr. Chan Ching Har, Eliza	1/1
Mr. Wang Zhiyong	0/1

Nomination Committee and Appointment of Directors

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

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. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)	0/0
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi Kum, Estella		1/1
Mr. Wang Zhiyong	(appointed on 16 July 2014)	0/0
Mr. Yu Rumin	(resigned on 16 July 2014)	1/1
Mr. Wu Xuemin	(resigned on 16 July 2014)	1/1

Corporate Governance Report

Nomination Committee and Appointment of Directors (Cont'd)

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 a new director, the Nomination Committee and the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. Besides, 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. 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 2014.

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.

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 2014. 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 2014 and also reviewed the 2014 unaudited interim financial statements of the Company in accordance with the HKFRSs.

During the year, the fees paid to Deloitte in respect of audit services amounted to approximately HK$4,210,000 and non-audit services in relation to consultancy and review services amounted to approximately HK$3,706,000.

Corporate Governance Report

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 2014 has been reviewed and discussed at the Audit Committee meeting held on 19 March 2015. The Board together with the senior management have on 26 March 2015, 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. An annual general meeting and an extraordinary general meeting of the Company were held on 5 June 2014 and 16 June 2014 respectively, and detailed procedures for conducting a poll have been explained by the Chairman during the meetings. The attendance of each Board member is recorded below:

		Attendance of	
Name of Director		**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors			
Mr. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)	0/0	0/0
Mr. Wang Zhiyong *(General Manager)*		0/1	1/1
Mr. Zhang Wenli		0/1	0/1
Mr. Tuen Kong, Simon		1/1	1/1
Dr. Cui Di		0/1	1/1
Ms. Zhang Lili	(appointed on 16 July 2014)	0/0	0/0
Mr. Yu Rumin	(resigned on 16 July 2014)	1/1	1/1
Mr. Wu Xuemin	(resigned on 16 July 2014)	1/1	1/1
Mr. Dai Yan	(resigned on 30 June 2014)	1/1	0/1
Mr. Hao Feifei	(appointed on 30 January 2014 and resigned on 16 July 2014)	0/1	0/1
Mr. Bai Zhisheng	(resigned on 30 January 2014)	0/0	0/0
Non-Executive Directors			
Mr. Cheung Wing Yui, Edward		1/1	0/1
Dr. Chan Ching Har, Eliza		1/1	1/1
Independent Non-Executive Directors			
Dr. Cheng Hon Kwan		1/1	1/1
Mr. Mak Kwai Wing, Alexander		1/1	1/1
Ms. Ng Yi Kum, Estella		1/1	1/1
Mr. Wong Shiu Hoi, Peter		1/1	1/1
Dr. Loke Yu		1/1	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.

The Board proposes to adopt a new set of articles of association (the "New Articles of Association") in order to bring the existing Articles of Association of the Company in line with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the latest version of the Listing Rules, as well as certain housekeeping amendments.

The proposed adoption of the New Articles of Association is subject to the approval of the shareholders of the Company by way of special resolution at the forthcoming annual general meeting. Details relating to the major changes introduced by the New Articles of Association may refer to the Circular despatched together with this Annual Report.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 45 to 47 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 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 48, 49 and 50 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 2014 are set out in the consolidated statement of profit or loss on page 48.

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.

An interim dividend of HK4.20 cents per share (2013: Nil) was paid on 27 October 2014. The directors of the Company have recommended payment of a final dividend of HK5.65 cents per share (2013: HK6.63 cents per share). 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 138.

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 2014 are set out in Note 36 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 Facility Agreement 2013.

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 2014.

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. Zeng Xiaoping *(Chairman)*	(appointed on 16 July 2014)
Mr. Wang Zhiyong *(General Manager)*	
Mr. Zhang Wenli	(resigned on 26 March 2015)
Mr. Tuen Kong, Simon	
Dr. Cui Di	
Ms. Zhang Lili	(appointed on 16 July 2014)
Dr. Yang Chuan	(appointed on 26 March 2015)
Mr. Yu Rumin	(resigned on 16 July 2014)
Mr. Wu Xuemin	(resigned on 16 July 2014)
Mr. Dai Yan	(resigned on 30 June 2014)
Mr. Hao Feifei	(appointed on 30 January 2014 and resigned on 16 July 2014)
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, Mr. Zeng Xiaoping, Ms. Zhang Lili and Dr. Yang Chuan 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. Wang Zhiyong, Dr. Chan Ching Har, Eliza, Mr. Mak Kwai Wing, Alexander and Mr. Wong Shiu Hoi, Peter 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 19.

DIRECTORS' SERVICE CONTRACT

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 2014, 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. Wang Zhiyong	8,600,000	0.81%
Mr. Zhang Wenli (note 3)	1,600,000	0.15%
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%

notes:

1. All interests are held in the capacity as a beneficial owner.

2. All interests stated above represent long positions.

3. Mr. Zhang Wenli resigned as director of the Company with effect from 26 March 2015.

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 an associated corporation 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
Ms. Zhang Lili	Tianjin Port	Personal interest	Beneficial owner	3,450,000	0.06%

Save as disclosed above, as at 31 December 2014, 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 Share Option 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 2014	During the year: Granted	Exercised	Lapsed	Cancelled	As at 31 December 2014	Exercise period
Directors									
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
Zhang Wenli (note 1)	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
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
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

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 2014	During the year: Granted	Exercised	Lapsed	Cancelled	As at 31 December 2014	Exercise period
Directors									
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
Yu Rumin (note 2)	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 (note 2)	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 (note 3)	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
Bai Zhisheng (note 4)	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 Weidong (note 5)	19/12/2012	4.060	2,800,000	–	–	2,800,000	–	–	19/12/2012 – 24/05/2017
Continuous contract employees (note 6)	07/11/2011	3.560	1,500,000	–	–	600,000	–	900,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	1,700,000	–	–	800,000	–	900,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	1,500,000	–	–	–	–	1,500,000	20/12/2013 – 24/05/2017
Total			60,850,000	–	–	32,150,000	–	28,700,000	

notes:

1. The share options of Mr. Zhang Wenli will lapse on 26 June 2015 due to his resignation as director of the Company on 26 March 2015.
2. The share options of Mr. Yu Rumin and Mr. Wu Xuemin lapsed on 16 October 2014 due to their resignation as directors of the Company on 16 July 2014.
3. The share options of Mr. Dai Yan lapsed on 30 September 2014 due to his resignation as director of the Company on 30 June 2014.
4. The share options of Mr. Bai Zhisheng lapsed on 30 April 2014 due to his resignation as director of the Company on 30 January 2014.
5. 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.
6. A total of 1,400,000 share options lapsed on 30 June 2014 due to the resignation of a continuous contract employee on 31 March 2014.
7. There were no share options granted under the Share Option Scheme during the year ended 31 December 2014.

Details of the accounting policy adopted for the share options are set out in Notes 2(q) and 33 to the consolidated financial statements.

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.

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, change in the information of a director of the Company required to be disclosed is set out below:

Subsequent to Ms. Zhang Lili's appointment as executive director of the Company on 16 July 2014, Ms. Zhang's entitlement to other benefits has ceased with effect from 1 January 2015. For the period from 16 July 2014 to 31 December 2014, Ms. Zhang has not received any emoluments from the Company.

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 2014, 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 Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings")	1&2	Interest of controlled corporation	673,219,143	63.07%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai")	1&2	Interest of controlled corporation	673,219,143	63.07%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,219,143	63.07%
Tsinlien	1&3	Interest of controlled corporation	673,219,143	63.07%

notes:

1. All interests stated above represent long positions.

2. Tsinlien is a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings, Bohai and Tianjin Pharmaceutical are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.

3. As at 31 December 2014, Tsinlien directly held 22,420,000 shares of the Company 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 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment, Tsinlien Venture Capital and Tsinlien Investment are interested.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTION

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

On 5 May 2014, the Company entered into a sale and purchase agreement with Tsinlien for disposal of the entire issued share capital of Famous Ever Group Limited, a wholly-owned subsidiary of the Company, which held 558,000,000 ordinary shares of Dynasty Fine Wines Group Limited ("Dynasty"), representing approximately 44.7% equity interest in Dynasty, at a consideration of HK$890,000,000 (the "Disposal"). As Tsinlien is the controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules, therefore, the Disposal constituted a discloseable and connected transaction of the Company and was subject to reporting, announcement and independent shareholders' approval. The Disposal was approved by the independent shareholders at an extraordinary general meeting of the Company held on 16 June 2014 and was completed on 25 June 2014.

Details of the Disposal may refer to the Company's Announcement dated 5 May 2014 and Circular to the shareholders dated 27 May 2014.

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	53%
—	five largest suppliers in aggregation	62%

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.

Report of the Directors

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 2014, 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

Zeng Xiaoping
Chairman

Hong Kong, 26 March 2015

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 48 to 137, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, 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 (Cap. 622) (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 80 of Schedule 11 to 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 40 to the consolidated financial statements, on 25 June 2014 (the "Disposal Date"), the Group disposed of its entire 44.7% equity interest in a listed associate, Dynasty, to its ultimate holding company, Tsinlien, for a consideration of HK$890 million (the "Disposal Consideration"), resulting in a gain recognised in profit or loss of approximately HK$235 million (the "Disposal Gain") for the year ended 31 December 2014.

As further detailed in Note 19(a) to the consolidated financial statements, Dynasty has not published any financial information since its interim report for the six months ended 30 June 2012 and trading of its shares has been suspended since 22 March 2013. 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; (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 28 (as revised in 2011) "Investments in Associates and Joint Ventures" ("HKAS 28") and Hong Kong Financial Reporting Standard 12 "Disclosure of Interests in Other Entities" ("HKFRS 12") 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. This caused us to qualify our audit opinion on the consolidated financial statements for the year ended 31 December 2013.

Because of the circumstances of Dynasty mentioned above, in preparing the consolidated financial statements for the year ended 31 December 2014, the Group continued to be unable to fulfil the requirements of HKAS 28 and HKFRS 12, and was not in a position to equity account for its share of results of Dynasty and share of net assets of Dynasty up to the Disposal Date and provide the relevant disclosures. As a consequence we were unable to evaluate the carrying value of the Group's interest in Dynasty at the Disposal Date and whether any adjustment to the Disposal Gain was necessary. Also, in the absence of an independent valuation and/or other relevant information, we were unable to determine whether the amount of the Disposal Consideration represented the fair value of the Group's interest in Dynasty at the Disposal Date (the "Fair Value"). Any difference between the Fair Value and the Disposal Consideration should have been adjusted to the Disposal Gain recognised in profit and loss, with a corresponding adjustment to equity.

It is not practicable for us to quantify the effects of the departures from these requirements on the consolidated financial statements for the years ended 31 December 2014 and 2013.

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 2014, 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 SECTION 80 (1) OF SCHEDULE 11 TO THE HONG KONG COMPANIES ORDINANCE, WITH REFERENCE TO SECTION 141(4) AND 141(6) OF THE PREDECESSOR HONG KONG COMPANIES ORDINANCE (CAP. 32)

In respect alone of the inability to obtain sufficient audit evidence regarding the Group's share of results and other comprehensive income or expense of Dynasty up to the Disposal Date and the Disposal Gain recognised in respect of 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

26 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**5,322,804**	4,952,429
Cost of sales		**(4,903,952)**	(4,703,499)
Gross profit		**418,852**	248,930
Other income	6	**310,987**	299,149
Other gains, net	7	**203,753**	494,344
Selling expenses		**(55,049)**	(60,427)
General and administrative expenses		**(590,254)**	(557,267)
Other operating expenses		**(68,575)**	(81,643)
Finance costs	8	**(57,499)**	(52,782)
Share of profit (loss) of			
Associates	19	**700,944**	556,263
Joint ventures	20	**(13,345)**	(3,107)
Profit before tax		**849,814**	843,460
Tax expense	9	**(60,037)**	(68,602)
Profit for the year	10	**789,777**	774,858
Attributable to:			
Owners of the Company		**708,645**	704,353
Non-controlling interests		**81,132**	70,505
		789,777	774,858
		HK cents	HK cents
Earnings per share	14		
Basic		**66.39**	65.98
Diluted		**65.69**	65.45

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit for the year		**789,777**	774,858
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences			
— the Group		**13,166**	172,223
— associates		**(7,137)**	93,550
— joint ventures		**(34)**	456
Change in fair value of available-for-sale financial assets	22	**(29,771)**	17,367
Share of other comprehensive income of an associate			
— available-for-sale financial assets revaluation reserve		**11,608**	356
Reclassification upon disposal/deregistration of subsidiaries and an associate	40 & 41	**(167,478)**	(7,900)
Other comprehensive (expense) income for the year		**(179,646)**	276,052
Total comprehensive income for the year		**610,131**	1,050,910
Attributable to:			
Owners of the Company		**528,823**	957,731
Non-controlling interests		**81,308**	93,179
		610,131	1,050,910

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,556,082**	2,194,969
Land use rights	16	**237,995**	160,703
Investment properties	17	**176,185**	201,197
Interests in associates	19	**4,792,246**	5,179,873
Interests in joint ventures	20	**70,778**	84,157
Intangible assets	21	**253,471**	232,046
Deferred tax assets	37	**87,631**	100,077
Available-for-sale financial assets	22	**221,401**	251,172
Goodwill	23	**111,764**	163,032
		8,507,553	8,567,226
Current assets			
Inventories	24	**148,986**	130,010
Amounts due from joint ventures	25	**14,027**	14,794
Amount due from ultimate holding company	25	**756**	353
Amounts due from related companies	26	**44,937**	41,048
Amounts due from customers for contract work	27	**805,383**	762,038
Trade receivables	28	**702,227**	674,829
Notes receivables	28	**80,115**	18,957
Other receivables, deposits and prepayments	28	**294,169**	455,403
Financial assets at fair value through profit or loss	29	**607,741**	654,731
Entrusted deposits	30	**2,041,624**	1,486,872
Restricted bank balances	31 & 44	**279,474**	212,250
Time deposits with maturity over three months	31	**143,412**	98,233
Cash and cash equivalents	31	**5,640,941**	4,489,915
		10,803,792	9,039,433
Total assets		**19,311,345**	17,606,659
EQUITY			
Owners of the Company			
Share capital	32	**5,111,234**	106,747
Reserves	34	**6,329,538**	10,920,006
		11,440,772	11,026,753
Non-controlling interests		**857,758**	777,787
Total equity		**12,298,530**	11,804,540

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases — due after one year	35	**19,116**	—
Bank borrowings	36	**2,530,450**	—
Deferred tax liabilities	37	**43,778**	46,845
		2,593,344	46,845
Current liabilities			
Trade payables	38	**1,065,153**	931,473
Notes payables	38	**377,829**	356,996
Other payables and accruals	39	**1,750,576**	1,486,805
Amounts due to related companies	26	**752,096**	573,094
Amounts due to customers for contract work	27	**103,591**	153,792
Obligations under finance leases — due within one year	35	**19,000**	—
Bank borrowings	36	**226,523**	2,145,068
Current tax liabilities		**124,703**	108,046
		4,419,471	5,755,274
Total liabilities		**7,012,815**	5,802,119
Total equity and liabilities		**19,311,345**	17,606,659
Net current assets		**6,384,321**	3,284,159
Total assets less current liabilities		**14,891,874**	11,851,385

Zeng Xiaoping
Director

Wang Zhiyong
Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**935**	1,678
Investment properties	17	**112,894**	137,906
Interests in subsidiaries	18	**4,558,077**	4,950,044
Advances to subsidiaries	18	**5,014,493**	4,528,248
		9,686,399	9,617,876
Current assets			
Amount due from ultimate holding company	25	**756**	463
Other receivables, deposits and prepayments	28	**20,589**	46,202
Entrusted deposits	30	**940,382**	1,306,025
Cash and cash equivalents	31	**1,910,354**	582,899
		2,872,081	1,935,589
Total assets		**12,558,480**	11,553,465
EQUITY			
Owners of the Company			
Share capital	32	**5,111,234**	106,747
Reserves	34	**2,706,245**	6,995,666
Total equity		**7,817,479**	7,102,413
LIABILITIES			
Non-current liabilities			
Bank borrowings	36	**2,530,450**	—
Amounts due to subsidiaries	25	**2,040,646**	2,376,437
		4,571,096	2,376,437
Current liabilities			
Bank borrowings	36	**—**	1,999,500
Accruals		**169,905**	75,115
		169,905	2,074,615
Total liabilities		**4,741,001**	4,451,052
Total equity and liabilities		**12,558,480**	11,553,465
Net current assets (liabilities)		**2,702,176**	(139,026)
Total assets less current liabilities		**12,388,575**	9,478,850

Zeng Xiaoping
Director

Wang Zhiyong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

		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 2013		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 of the Group		—	13,088	—	13,088	—	13,088
Dividends	13	—	—	—	—	(1,150)	(1,150)
Disposal and deemed disposal of subsidiaries	41	—	—	—	—	(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
Profit for the year		**—**	**—**	**708,645**	**708,645**	**81,132**	**789,777**
Other comprehensive (expense) income for the year		**—**	**(179,822)**	**—**	**(179,822)**	**176**	**(179,646)**
Total comprehensive (expense) income for the year		**—**	**(179,822)**	**708,645**	**528,823**	**81,308**	**610,131**
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	32	**5,004,487**	**(5,004,487)**	**—**	**—**	**—**	**—**
Dividends	13	**—**	**—**	**(115,607)**	**(115,607)**	**(1,337)**	**(116,944)**
Share-based payments of an associate		**—**	**803**	**—**	**803**	**—**	**803**
Transfer between reserves		**—**	**81,002**	**(81,002)**	**—**	**—**	**—**
Transfer upon lapse of share options		**—**	**(38,239)**	**38,239**	**—**	**—**	**—**
Transfer upon disposal of an associate		**—**	**(6,390)**	**6,390**	**—**	**—**	**—**
		5,004,487	**(4,967,311)**	**(151,980)**	**(114,804)**	**(1,337)**	**(116,141)**
At 31 December 2014		**5,111,234**	**2,601,092**	**3,728,446**	**11,440,772**	**857,758**	**12,298,530**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	45	**341,965**	276,533
Interest paid		**(57,499)**	(46,782)
PRC income tax paid		**(34,057)**	(65,284)
Net cash from operating activities		**250,409**	164,467
INVESTING ACTIVITIES			
Proceeds from redemption of entrusted deposits		**3,837,915**	3,617,520
Net proceeds from disposal of an associate	40	**888,643**	—
Dividends received from associates		**493,285**	422,690
Interest received		**213,504**	196,038
Proceeds from disposal of property, plant and equipment/land use rights		**54,870**	289,303
Proceeds from disposal of an investment property	17	**40,646**	—
Settlement of consideration receivable for disposal of a subsidiary in prior years		**37,975**	88,608
Proceeds from redemption of an entrusted loan		**25,316**	189,873
Net proceeds from disposal and deemed disposal of subsidiaries	41	**—**	416,784
Addition of entrusted deposits		**(4,369,949)**	(3,464,557)
Purchase of property, plant and equipment/and land use rights		**(643,260)**	(252,485)
Additional contribution to associates		**(186,220)**	(7,928)
Addition of restricted bank balances		**(67,054)**	(106,706)
(Increase) decrease in time deposits with maturity over three months		**(45,105)**	162,848
Addition of entrusted loans		**(25,316)**	(25,316)
Acquisitions of subsidiaries		**—**	(519,759)
Payment to a non-controlling shareholder of a subsidiary in advance of liquidation		**—**	(88,666)
Net cash from investing activities		**255,250**	918,247
FINANCING ACTIVITIES			
Drawdown of bank borrowings		**2,770,901**	1,122,565
Drawdown of loans from related companies		**127,054**	6,709
Repayment of bank borrowings		**(2,140,152)**	(1,588,554)
Dividend paid		**(116,944)**	(97,308)
Repayment of obligations under finance leases		**(1,348)**	—
Contributions by non-controlling interests of subsidiaries		**—**	26,940
Net cash from (used in) financing activities		**639,511**	(529,648)
Net increase in cash and cash equivalents		**1,145,170**	553,066
Cash and cash equivalents at beginning of the year		**4,489,915**	3,864,901
Effect of foreign exchange rate changes		**5,856**	71,948
Cash and cash equivalents at end of the year		**5,640,941**	4,489,915

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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) hotel; (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 manufacture of 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(ii) 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 5(d)), which has been disposed of during the current year. 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 (Cap. 622) (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 2014

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.

Amendments to HKFRSs and a new interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the revised HKFRSs and the new interpretation 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 HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2010 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. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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" (Cont'd)

- 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 the Group's results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group has already commenced an assessment of the impact of HKFRS 15 but is not yet in a position to state whether it would have a significant impact on the Group's result 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 2014

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iii) Subsidiaries (Cont'd)

When the Group loses control of a subsidiary, 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.

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 2014

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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(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 ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entities operate (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, 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 the consolidated financial statements in Hong Kong dollar 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 difference 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 difference on non-monetary available-for-sale financial assets is included in equity.

(iii) Group companies

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

- assets and liabilities for each 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(iii) Group companies (Cont'd)

On consolidation, exchange differences arising from 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 hotel and office premises. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or 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 recognised in 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.

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 or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(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 and losses arising from changes in the fair value of investment property are included in profit or loss in 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.

(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 costs less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(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 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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

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

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the 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 financial assets 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 financial assets revaluation reserve is reclassified to the consolidated statement of profit or loss (see the accounting policy in respect of impairment of financial assets below).

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 or 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).

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

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

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 financial assets 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 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 2014

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

Significant accounting policies (Cont'd)

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

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 a 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 2014

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 the state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the 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 employee's salary and are recognised in 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 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 payments reserve will be transferred to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2014

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. 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) Finance lease

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of the financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs.

(v) 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 profit or loss on a straight-line basis over the period of the lease.

(w) 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, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(x) 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.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(y) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Significant accounting policies (Cont'd)

(z) 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), from the point at which the asset is ready for use, on the same basis as intangible assets that are acquired separately.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk

(i) Foreign exchange risk

The actual foreign exchange risk faced by the Group is primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, other receivables and payables and borrowings made by the Group which are denominated in currencies (mainly Hong Kong dollar) 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 risk. 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 risk during both years of 2014 and 2013.

At 31 December 2014, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2013: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$62,567,000 (2013: HK$53,663,000) 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% (2013: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK$45,626,000 (2013: HK$49,150,000) and HK$17,194,000 (2013: HK$19,680,000), respectively.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

The Group's interest rate risk is arising from obligations under finance leases and bank borrowings (the "Interest Bearing Liabilities") set out in Notes 35 and 36, respectively. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and obligations under finance leases at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced portfolio of borrowings and obligations under finance leases 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 and obligations under finance leases of HK$2,568,425,000 at variable rates and HK$226,664,000 at fixed rates (2013: HK$1,999,500,000 at variable rates and HK$145,568,000 at fixed rates).

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower for Hong Kong dollar-denominated and US dollar-denominated borrowings at variable rates and with all other variables held constant, the Group's profit for the year would decrease/increase by HK$10,565,000 (2013: HK$8,348,000). As at 31 December 2014 and 2013, the Group did not have Renminbi-denominated borrowings at variable rates.

If interest rates had been 25 basis points (2013: 25 basis points) higher/lower for Hong Kong dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK$3,196,000 (2013: HK$1,531,000); if interest rates had been 25 basis points (2013: 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$7,551,000 (2013: HK$8,035,000).

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

(b) Credit and counterparty risk

Credit risk mainly arises from deposits maintained with banks and other financial institutions, entrusted deposits placed 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 loan). Overall, the carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk as at 31 December 2014.

A significant portion of the Group's bank deposits, entrusted loan 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 2014 because it had placed entrusted deposits of approximately HK$2,042 million (2013: HK$1,487 million) with four financial institutions (2013: three financial institutions) in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

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

The directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the 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$395,509,000 (2013: HK$342,441,000). The directors are of the opinion that adequate provision for uncollectible trade receivable has been made in the consolidated financial statements.

As at 31 December 2014, over 81% (2013: 76%) of the Group's financial assets were bank deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions. For utilities business, all government supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") had been received as at 31 December 2014 and 2013. 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 Tianfa Equipment (as defined in Note 48), a subsidiary in the electrical and mechanical segment, around 19% (2013: 25%) 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 2014, the Group had bank and cash balances of approximately HK$6,064 million (2013: HK$4,800 million), and obligations under finance leases and bank borrowings of approximately HK$38 million (2013: Nil) and HK$2,757 million (2013: HK$2,145 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Group's financial liabilities that will be settled into relevant time bands based on the remaining period at the 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.

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 December 2014			
The Group			
Obligations under finance leases	**20,704**	**19,995**	**40,699**
Bank borrowings	**294,125**	**2,593,427**	**2,887,552**
Amounts due to related companies	**752,096**	**—**	**752,096**
Trade payables, notes payables and other payables	**1,766,949**	**—**	**1,766,949**
	2,833,874	**2,613,422**	**5,447,296**
The Company			
Bank borrowings	**66,822**	**2,593,427**	**2,660,249**
Amounts due to subsidiaries	**—**	**2,040,646**	**2,040,646**
	66,822	**4,634,073**	**4,700,895**
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 obligations under finance leases and bank borrowings (including current and non-current portions 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.

	2014 **HK$'000**	2013 HK$'000
Total cash and bank deposits	**6,063,827**	4,800,398
Less: obligations under finance leases and bank borrowings	**2,795,089**	2,145,068
Net cash	**3,268,738**	2,655,330
Shareholders' funds	**11,440,772**	11,026,753
Net gearing position	**Net cash**	Net cash

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

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**9,165,901**	7,338,773
Available-for-sale financial assets	**221,401**	251,172
Financial assets at fair value through profit or loss	**607,741**	654,731
	9,995,043	8,244,676
Financial liabilities		
Amortised cost	**5,314,134**	4,284,400

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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.

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 2014 HK$'000**	Fair value as at 31 December 2013 HK$'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	**205,919**	235,690	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	**30,106**	12,802	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	**251,028**	591,420	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	**326,607**	50,509	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 Levels 1 and 2 in both years of 2014 and 2013.

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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 (Cont'd)

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, obligations under finance leases — due within one year, 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 obligations under finance leases — due after one year and 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.

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-strategically 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 2014 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.

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For the year ended 31 December 2014

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

Key sources of estimation uncertainty (Cont'd)

(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 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.

(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.

As at 31 December 2014, the carrying value of the Group's interest in a major listed associate Tianjin Port (as defined in Note 49), including goodwill of approximately HK$1,121 million, exceeded the market value of the Group's holding therein by approximately HK$1,534 million (2013: approximately HK$1,814 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.

(e) Recoverability of deferred tax assets

As at 31 December 2014, deferred tax assets of HK$87,631,000 (2013: HK$100,077,000) 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 37. 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 will 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.

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For the year ended 31 December 2014

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 both years of 2014 and 2013, the Group identified certain construction contracts cost estimate adjustments which were charged to profit or loss for the corresponding 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 they are 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.

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) Hotel

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. SEGMENT INFORMATION (Cont'd)

(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

As set out in Note 40, the Group has disposed of its entire equity interest in the listed associate, Dynasty Fine Wines Group Limited ("Dynasty"), in June 2014.

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port (as defined in Note 49), 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 49), which manufactures and sells elevators and escalators.

Segment revenue and results

For the year ended 31 December 2014

	Utilities (note (i)) HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Winery (note (ii)) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,930,850	118,517	1,273,437	—	—	—	5,322,804
Operating profit (loss) before interest	83,320	26,731	(148,246)	—	—	—	(38,195)
Interest income	19,831	16	28,904	—	—	—	48,751
Impairment loss on goodwill	—	—	(51,009)	—	—	—	(51,009)
Finance costs	—	—	(5,427)	—	—	—	(5,427)
Share of profit of associates	—	—	—	—	171,954	525,200	697,154
Profit (loss) before tax	103,151	26,747	(175,778)	—	171,954	525,200	651,274
Tax (expense) credit	(29,944)	(4,413)	2,000	—	—	—	(32,357)
Segment results — profit (loss) for the year	73,207	22,334	(173,778)	—	171,954	525,200	618,917
Non-controlling interests	(5,504)	—	22,031	—	—	(90,650)	(74,123)
Profit (loss) attributable to owners of the Company	67,703	22,334	(151,747)	—	171,954	434,550	544,794
Segment results — profit (loss) for the year includes:							
Depreciation and amortisation	65,183	16,810	78,597	—	—	—	160,590

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2013

	Utilities (note (i)) HK$'000	Hotel (note (iv)) HK$'000	Electrical and mechanical (note (iii)) HK$'000	Winery (note (ii)) HK$'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

	2014 HK$'000	2013 HK$'000
Reconciliation of profit for the year		
Total reportable segments	**618,917**	657,280
Share-based payments	**—**	(13,088)
Gain on disposal of an associate	**235,368**	—
Gain on deregistration/disposal of subsidiaries	**2,324**	171,851
Corporate and others (note (v))	**(66,832)**	(41,185)
Profit for the year	**789,777**	774,858

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For the year ended 31 December 2014

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$2,517,604,000, HK$396,997,000 and HK$1,016,249,000, respectively (2013: HK$2,359,070,000, HK$387,187,000 and HK$1,085,802,000 respectively).

The above revenue also included government supplemental income of HK$209,798,000 (2013: HK$230,587,000).

(ii) As detailed in Note 19(a), in absence of Dynasty's published financial information since its interim report for the six months ended 30 June 2012, the Group was not in a position to equity account for its share of results of Dynasty for the years ended 31 December 2014 and 2013 and up to the Disposal Date.

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

(iv) The Group has sold its hotel property in Tianjin in August 2013 as set out in Note 41.

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

Segment assets and liabilities

	Utilities HK$'000	Hotel HK$'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 2014									
Segment assets	**3,669,357**	**596,890**	**3,798,908**	**—**	**3,642,012**	**978,429**	**12,685,596**	**6,625,749**	**19,311,345**
Segment liabilities	**2,242,767**	**8,992**	**2,037,120**	**—**	**—**	**—**	**4,288,879**	**2,723,936**	**7,012,815**
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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. SEGMENT INFORMATION (Cont'd)

Other segment information

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

	2014	2013
	HK$'000	HK$'000
The PRC	**5,204,287**	4,835,024
Hong Kong	**118,517**	117,405
	5,322,804	4,952,429

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

	2014	2013
	HK$'000	HK$'000
The PRC	**7,690,138**	7,691,396
Hong Kong	**508,383**	524,581
	8,198,521	8,215,977

6. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income	**234,821**	214,556
Government grants	**39,274**	13,689
Rental income under operating leases, net of negligible outgoings	**11,690**	9,545
Reversal of receipts in advance from customers	**—**	32,911
Sales of scrap materials	**1,948**	5,255
Sundries	**23,254**	23,193
	310,987	299,149

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For the year ended 31 December 2014

7. OTHER GAINS, NET

	2014	2013
	HK$'000	HK$'000
Gain on disposal of an associate (Note 40)	**235,368**	—
Gain on disposal of subsidiaries (Note 41(a))	**—**	171,851
Gain on deregistration of a subsidiary	**2,324**	—
Gain on fair value change of an investment property	**15,697**	—
Impairment loss on goodwill (Note 23)	**(51,009)**	—
Net exchange (loss) gain	**(6,596)**	19,205
Net (loss) gain on disposal/written off of property, plant and equipment/ land use rights (note)	**(37,859)**	278,610
Net gain on financial assets held for trading		
— listed	**16,054**	8,548
— unlisted	**29,774**	16,130
	203,753	494,344

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. As at 31 December 2014, the outstanding compensation receivable of approximately RMB77 million (2013: RMB118 million), equivalent to approximately HK$98 million (2013: HK$149 million), has been included in other receivables as set out in Note 28.

8. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**55,830**	52,782
Interest on obligations under finance leases	**1,669**	—
	57,499	52,782

Notes to the Consolidated Financial Statements

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9. TAX EXPENSE

	2014 **HK$'000**	2013 HK$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	**50,671**	62,665
Deferred taxation (Note 37)	**9,366**	5,937
	60,037	68,602

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2013: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for two subsidiaries which are qualified as High and New Technology Enterprises and subject to a preferential EIT rate at 15%. The preferential EIT rate is applicable until October 2017 and is subject to approval for renewal.

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:

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**849,814**	843,460
Less: share of results of associates and joint ventures	**(687,599)**	(553,156)
	162,215	290,304
Calculated at applicable tax rates	**36,287**	55,361
Income not subject to taxation	**(59,545)**	(24,618)
Expenses not deductible for taxation purposes	**62,268**	33,992
Tax losses not recognised	**21,027**	3,867
Tax expense	**60,037**	68,602

The weighted average applicable tax rate is 22.37% (2013: 19.07%).

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For the year ended 31 December 2014

10. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments) (Note 11)	**560,164**	531,686
Cost of inventories recognised as an expense	**3,212,578**	3,366,884
Depreciation		
— charged to cost of sales	**98,259**	88,664
— charged to administrative expenses	**43,215**	33,237
— charged to selling expenses	**437**	379
— charged to other operating expenses	**16,810**	19,306
Amortisation of land use rights	**4,201**	8,497
Amortisation of intangible assets	**15,260**	14,138
Reversal of allowance for impairment of trade receivables	**(6,286)**	(4,767)
Operating lease expense on		
— plants, pipelines and networks	**155,523**	155,680
— land and buildings	**12,899**	13,298
Auditor's remuneration	**6,210**	6,039
Research and development costs charged to other operating expenses	**50,430**	49,999

11. EMPLOYEES' BENEFITS EXPENSE

	2014 HK$'000	2013 HK$'000
Wages, salaries, bonus and social security costs	**560,164**	518,598
Share-based payments	**—**	13,088
	560,164	531,686

Notes to the Consolidated Financial Statements

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

(a) Emoluments of directors and chief executive

The remuneration of each of the directors (including the chief executive) for the year ended 31 December 2014 is set out below:

Name of director	Fees HK$'000	Salaries and other benefits (i) HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Zeng Xiaoping (ii)	—	941	800	26	—	1,767
Wang Zhiyong	—	1,903	600	62	—	2,565
Zhang Wenli	—	—	—	—	—	—
Tuen Kong, Simon	—	1,895	1,800	17	—	3,712
Cui Di	—	1,396	450	52	—	1,898
Zhang Lili (ii)	—	—	—	—	—	—
Cheung Wing Yui, Edward	318	95	—	—	—	413
Chan Ching Har, Eliza	318	95	—	—	—	413
Cheng Hon Kwan	382	95	—	—	—	477
Mak Kwai Wing, Alexander	382	95	—	—	—	477
Ng Yi Kum, Estella	382	95	—	—	—	477
Wong Shiu Hoi, Peter	382	95	—	—	—	477
Loke Yu	382	95	—	—	—	477
Yu Rumin (iii)	—	—	—	—	—	—
Wu Xuemin (iii)	—	1,811	500	35	—	2,346
Dai Yan (iv)	—	2,262	—	—	—	2,262
Hao Feifei (v)	—	—	—	—	—	—
Bai Zhisheng (vi)	—	—	—	—	—	—
	2,546	10,873	4,150	192	—	17,761

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

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

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	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Yu Rumin	—	—	700	—	579	1,279
Wu Xuemin	—	2,052	800	54	2,318	5,224
Dai Yan	—	2,030	1,950	52	2,173	6,205
Wang Zhiyong	—	1,683	1,760	54	2,028	5,525
Zhang Wenli	—	—	—	—	193	193
Tuen Kong, Simon [vii]	—	1,796	1,780	15	1,932	5,523
Cui Di [viii]	—	—	100	—	1,738	1,838
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	382	95	—	—	97	574
Loke Yu	382	95	—	—	97	574
Bai Zhisheng	—	—	—	—	193	193
Wang Weidong [ix]	—	1,488	300	49	—	1,837
	2,546	9,714	7,390	224	11,833	31,707

[i] Other benefits include allowance, insurance premium, club membership, leave pay and gratuity on retirement.

[ii] Appointed on 16 July 2014.

[iii] Resigned on 16 July 2014.

[iv] Resigned on 30 June 2014.

[v] Appointed on 30 January 2014 and resigned on 16 July 2014.

[vi] Resigned on 30 January 2014.

[vii] Appointed on 27 March 2013.

[viii] Appointed on 1 December 2013.

[ix] Resigned on 30 November 2013.

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2013: four) are directors (including the chief executive) and their emoluments are shown in Note 11(a) above. The emoluments of the five individuals with the highest emoluments for the year ended 31 December 2014 and 2013 were as follows:

	2014 **HK$'000**	2013 HK$'000
Fees	**—**	—
Salaries and other benefits	**9,133**	9,190
Discretionary bonuses	**3,580**	6,990
Retirement scheme contributions	**132**	229
Share-based payments	**—**	8,451
	12,845	24,860

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

	2014	2013
Emolument bands (HK$)		
1,500,001 – 2,000,000	**1**	—
2,000,001 – 2,500,000	**2**	1
2,500,001 – 3,000,000	**1**	—
3,000,001 – 3,500,000	**—**	—
3,500,001 – 4,000,000	**1**	—
4,000,001 – 4,500,000	**—**	—
4,500,001 – 5,000,000	**—**	—
5,000,001 – 5,500,000	**—**	1
5,500,001 – 6,000,000	**—**	2
6,000,001 – 6,500,000	**—**	1
	5	5

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

(c) Emoluments of senior management

Other than the emoluments of directors disclosed in Note 11(a), the aggregate emoluments of senior management of the Group are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**3,161**	1,473
Discretionary bonuses	**1,480**	1,010
Retirement scheme contributions	**105**	49
Share-based payments	**—**	693
	4,746	3,225

The emoluments of the senior management fell within the following bands:

	2014	2013
Emolument bands (HK$)		
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**2**	—
2,000,001 – 2,500,000	**—**	1
	3	2

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 profit of HK$828,868,000 (2013: loss of HK$25,191,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution during the year		
— 2014 Interim dividend, paid — HK4.20 cents (2013: Nil) per share	**44,834**	—
— 2013 Final dividend, paid — HK6.63 cents (2012: Nil) per share	**70,773**	—
	115,607	—

A final dividend of HK5.65 cents per share for the year ended 31 December 2014, amounting to approximately HK60,312,000 in total, has been proposed by the Board of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

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:

	2014 HK$'000	2013 HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**708,645**	704,353
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	**11,274**	8,710
Number of ordinary shares taking account of the share options for the purpose of diluted earnings per share	**1,078,744**	1,076,180

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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 2014	**1,300,721**	**326,622**	**1,816,364**	**102,858**	**28,316**	**253,805**	**1,831**	**3,830,517**
Exchange differences	**58**	**—**	**95**	**17**	**(6)**	**1,120**	**—**	**1,284**
Additions	**8,337**	**—**	**50,270**	**9,968**	**2,922**	**490,465**	**—**	**561,962**
Transfers	**15,342**	**—**	**32,861**	**—**	**—**	**(48,203)**	**—**	**—**
Disposals/written off	**(775)**	**—**	**(45,243)**	**(2,517)**	**(5,384)**	**—**	**—**	**(53,919)**
At 31 December 2014	**1,323,683**	**326,622**	**1,854,347**	**110,326**	**25,848**	**697,187**	**1,831**	**4,339,844**
Accumulated Depreciation and Impairment								
At 1 January 2014	**372,963**	**63,222**	**1,091,263**	**72,330**	**8,362**	**26,214**	**1,194**	**1,635,548**
Exchange differences	**88**	**—**	**227**	**15**	**4**	**—**	**—**	**334**
Charge for the year	**44,985**	**297**	**97,527**	**10,010**	**5,902**	**—**	**—**	**158,721**
Disposals/written off	**(570)**	**—**	**(4,267)**	**(1,896)**	**(4,108)**	**—**	**—**	**(10,841)**
At 31 December 2014	**417,466**	**63,519**	**1,184,750**	**80,459**	**10,160**	**26,214**	**1,194**	**1,783,762**
Carrying Value								
At 31 December 2014	**906,217**	**263,103**	**669,597**	**29,867**	**15,688**	**670,973**	**637**	**2,556,082**
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 41(a))	(198,550)	—	(1,357)	(1,392)	(82)	—	—	(201,381)
Deemed disposal of a subsidiary (Note 41(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

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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 2014	**5,237**	**4,523**	**9,760**
Exchange differences	**(2)**	**(4)**	**(6)**
Additions	**767**	**—**	**767**
Disposals	**(1,589)**	**(1,590)**	**(3,179)**
At 31 December 2014	**4,413**	**2,929**	**7,342**
Accumulated Depreciation			
At 1 January 2014	**4,537**	**3,545**	**8,082**
Exchange differences	**(2)**	**(2)**	**(4)**
Charge for the year	**203**	**269**	**472**
Disposals	**(1,096)**	**(1,047)**	**(2,143)**
At 31 December 2014	**3,642**	**2,765**	**6,407**
Carrying Value			
At 31 December 2014	**771**	**164**	**935**
Cost			
At 1 January 2013	5,101	4,406	9,507
Additions	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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	3–25 years
Leasehold improvement, furniture and equipment	3–10 years
Motor vehicles	5–12 years
Others	5 years

(c) As at 31 December 2014, the carrying value of plant and machinery of the Group included an amount of approximately HK$38,116,000 (2013: Nil) in respect of assets held under finance lease.

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 2013	195,987	134,335
Exchange differences	5,210	3,571
At 31 December 2013	**201,197**	**137,906**
Exchange differences	**(63)**	**(63)**
Increase in fair value recognised in profit or loss	**15,697**	**15,697**
Disposal (note (b))	**(40,646)**	**(40,646)**
At 31 December 2014	**176,185**	**112,894**

There was no unrealised gain on property revaluation included in profit or loss during the current year (2013: Nil).

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Medium-term land use rights in the PRC	**176,185**	176,185	**112,894**	112,894
Long-term land use rights in the PRC	**—**	25,012	**—**	25,012
	176,185	201,197	**112,894**	137,906

(b) During the year ended 31 December 2014, the Group disposed of an investment property at proceeds of HK$40,646,000.

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

(d) The fair value as at 31 December 2014 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.

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

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

Description	Fair value hierarchy	Fair value at 31 December 2014 HK$'000	Fair value at 31 December 2013 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Tianjin	Level 3	**112,894**	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 8,100 (2013: 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 2 in Tianjin	Level 3	**63,291**	63,291	Market comparable approach	Price per square meter in RMB	5,626–6,013 (2013: 5,567–5,674)	The higher the price per square meter, the higher the fair value
Property 3 in Guangdong, the PRC	Level 2	**N/A**	25,012	Market comparable approach	Price per square meter in RMB	N/A (2013: N/A)	N/A

There were no transfers into or out of Level 3 in both years of 2014 and 2013.

Notes to the Consolidated Financial Statements

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18. INTERESTS IN SUBSIDIARIES

	notes	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost		**4,558,077**	4,950,044
Advances to subsidiaries	(a)	**5,744,639**	5,258,394
Less: Impairment	(a)	**(730,146)**	(730,146)
		5,014,493	4,528,248
		9,572,570	9,478,292

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 2014 are set out in Note 48.

19. INTERESTS IN ASSOCIATES

	notes	2014 HK$'000	2013 HK$'000
The Group's interests in associates			
— Listed shares in Hong Kong			
— Dynasty	(a)	**—**	786,780
— Tianjin Port		**3,642,012**	3,533,530
— Unlisted shares in the PRC			
— Otis China		**978,429**	843,456
— Others		**171,805**	16,107
	(b)	**4,792,246**	5,179,873
Market value of listed shares			
— Dynasty		**N/A**	N/A
— Tianjin Port		**2,107,883**	1,719,929

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. INTERESTS IN ASSOCIATES (Cont'd)

notes:

(a) As set out in Note 40, Dynasty has ceased to be an associate of the Group upon the completion of the Disposal. As described in the respective interim and annual reports of the Group in 2014 and 2013, 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 since its interim report for the six months ended 30 June 2012.

Accordingly, for the preparation of the consolidated financial statements:

(i) for the year ended 31 December 2014, the Group was not in a position to equity account for its share of results of Dynasty and share of net assets of Dynasty up to the Disposal Date and provide the relevant disclosures; and

(ii) 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; (ii) assess whether any impairment of its interest in Dynasty was necessary; and (iii) disclose the summarised financial information of Dynasty.

(b) Interests in associates as at 31 December 2014 included goodwill of HK$1,120,729,000 (2013: HK$1,120,729,000). Share of associates' taxation for the year ended 31 December 2014 of HK$297,773,000 (2013: HK$261,759,000) 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 2014 are set out in Note 49.

Summarised financial information of associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information of associates are 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**	
	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
Current assets	**14,854,505**	11,366,231	**10,522,475**	9,083,110
Non-current assets	**34,260,872**	32,704,656	**2,201,925**	2,040,411
Current liabilities	**(12,000,487)**	(8,519,737)	**(7,302,910)**	(6,373,766)
Non-current liabilities	**(11,587,333)**	(11,552,058)	**(32,032)**	(30,934)

Notes to the Consolidated Financial Statements

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19. INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of associates (Cont'd)

	Tianjin Port		Otis China	
	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**	Year ended 31 December 2013 HK$'000
Revenue	**33,485,612**	22,108,849	**26,891,449**	19,680,558
Profit for the year, attributable to the owners the associates	**819,125**	811,047	**2,626,001**	1,919,377
Other comprehensive income for the year, attributable to the owners of the associates	**17,804**	341,125	**1,704**	109,535
Total comprehensive income for the year, attributable to the owners of the associates	**836,929**	1,152,172	**2,627,705**	2,028,912
Dividends received from the associate during the year	**68,013**	28,318	**425,272**	394,372

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	
	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
Equity attributable to owners of the associate	**12,005,796**	11,489,070	**4,871,167**	4,196,704
Proportion of the Group's ownership interest in the associate	**2,521,217**	2,412,704	**974,233**	839,341
Goodwill	**1,120,729**	1,120,729	**—**	—
Other adjustments	**66**	97	**4,196**	4,115
Carrying amount of the Group's interest in the associate	**3,642,012**	3,533,530	**978,429**	843,456

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19. INTERESTS IN ASSOCIATES (Cont'd)

Aggregate information of associates that are not individually material

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
The Group's share of post-tax profit	**3,790**	2,067
The Group's share of other comprehensive income	**392**	364
The Group's share of total comprehensive income	**4,182**	2,431
Aggregate carrying amount of the Group's interests in these associates	**171,805**	16,107

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$'000**	**Net loss attributable to the Group HK$'000**
As at 31 December 2014	**141,409**	**153,214**	**264,869**	**—**	**277,894**	**(13,345)**
As at 31 December 2013	152,392	151,598	263,079	—	279,761	(3,107)

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 2014 are set out in Note 50.

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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 50), 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 2014 HK$'000	At 31 December 2013 HK$'000
Current assets	**5,350**	27,023
Non-current assets	**137,800**	125,338
Current liabilities	**(46,751)**	(33,956)
Non-current liabilities	**—**	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**2,378**	7,851
Current financial liabilities (excluding trade and other payables and provisions)	**(25,253)**	(12,658)
Non-current financial liabilities (excluding trade and other payables and provisions)	**—**	—

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	**4,565**	706
Loss for the year	**(21,949)**	(5,963)
The above loss for the year is arrived at after (charging) crediting:		
Depreciation and amortisation	**(6,717)**	(1,146)
Interest income	**2,437**	11
Interest expense	**(1,462)**	(218)
Tax expense	**—**	—

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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)

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 2014 HK$'000	At 31 December 2013 HK$'000
Net assets of Wunushan Icewine	**96,399**	118,405
Proportion of the Group's ownership interest in Wunushan Icewine and carrying amount of the Group's interest therein	**53,984**	66,306

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
The Group's share of post-tax (loss) profit	**(1,054)**	232
The Group's share of other comprehensive (expense) income	**(3)**	457
The Group's share of total comprehensive (expense) income	**(1,057)**	689

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 2014 HK$'000	Year ended 31 December 2013 HK$'000
The unrecognised share of profit of a joint venture for the year	**7,823**	11,459
Cumulative unrecognised share of losses of a joint venture	**122,109**	129,932

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21. INTANGIBLE ASSETS

	Development costs (note (a)) HK$'000	Patents (note (b)) HK$'000	Total HK$'000
Cost			
At 1 January 2013	—	239,808	239,808
Exchange differences	—	6,376	6,376
At 31 December 2013	**—**	**246,184**	**246,184**
Exchange differences	**93**	**—**	**93**
Additions	**36,631**	**—**	**36,631**
At 31 December 2014	**36,724**	**246,184**	**282,908**
Amortisation			
At 1 January 2013	—	—	—
Charge for the year	—	14,138	14,138
At 31 December 2013	**—**	**14,138**	**14,138**
Exchange differences	**3**	**36**	**39**
Charge for the year	**1,158**	**14,102**	**15,260**
At 31 December 2014	**1,161**	**28,276**	**29,437**
Carrying Value			
At 31 December 2014	**35,563**	**217,908**	**253,471**
At 31 December 2013	—	232,046	232,046

notes:

(a) Development costs represent costs incurred for the design and development of new production systems by the Group.

(b) Patents were acquired by the Group through the acquisitions of subsidiaries in prior years.

(c) The following useful lives are used in the calculation of amortisation from the date at which the asset is ready for use:

Development costs	3 years
Patents	10 to 11 years

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22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	2014 HK$'000	2013 HK$'000
Equity securities			
Listed, at market value	(a)	**205,919**	235,690
Unlisted	(b)	**15,482**	15,482
		221,401	251,172
At 1 January		**251,172**	233,405
Exchange differences		**—**	400
Change in fair value		**(29,771)**	17,367
At 31 December		**221,401**	251,172

notes:

(a) The listed securities represent the Group's 5.28% equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2014, the market value of the Group's equity interest in Binhai Investment was HK$205,919,000 (2013: HK$235,690,000) and the unrealised fair value loss of HK$29,771,000 (2013: gain of HK$17,367,000) 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 in order to allow TEDA HK to use the shares and the voting rights thereto. TEDA HK had to pay to the Group any income or entitlements in respect of the shares. TEDA HK had returned the borrowed shares to the Group in November 2014.

(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.

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23. GOODWILL

	HK$'000
Cost	
At 1 January 2013	158,810
Exchange differences	4,222
At 31 December 2013 and 31 December 2014	**163,032**
Impairment	
At 1 January 2013 and 31 December 2013	**–**
Exchange differences	**259**
Impairment losses recognised in profit or loss	**51,009**
At 31 December 2014	**51,268**
Carrying Value	
At 31 December 2014	**111,764**
At 31 December 2013	163,032

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 2014, 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 discount rates ranging from 10% 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 CGUs' past performance and management's expectations of the market development.

As a result, the Group recognised in profit or loss an impairment loss of HK$51,009,000 on goodwill in the current year (2013: Nil) based on such assessment.

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24. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**81,929**	92,388
Work in progress	**5,357**	4,744
Finished goods	**60,090**	31,493
Consumable stocks	**1,610**	1,385
	148,986	130,010

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 2014 HK$'000	At 31 December 2013 and 1 January 2014 HK$'000	**Maximum amount outstanding during the year HK$'000**
Amounts due from related companies	**44,937**	41,048	**46,553**
Amounts due to related companies	**(752,096)**	(573,094)	

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 46.

Notes to the Consolidated Financial Statements

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

	2014 **HK$'000**	2013 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**4,006,185**	4,181,519
Less: Progress billings	**(3,304,393)**	(3,573,273)
	701,792	608,246
Analysed for reporting purposes as:		
Amounts due from contract customers included in current assets	**805,383**	762,038
Amounts due to contract customers included in current liabilities	**(103,591)**	(153,792)
	701,792	608,246

As at 31 December 2014, retentions of HK$95,348,000 (2013: HK$102,376,000) held by customers for contract works were included in trade receivables.

As at 31 December 2014, advances of HK$11,692,000 (2013: HK$18,699,000) received from customers for contracts entered into but not yet commenced were included in other payables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

		The Group		The Company	
		2014	2013	**2014**	2013
	notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables					
Fully performing	(a)	**521,900**	469,263	**—**	—
Past due but not impaired	(b)	**180,327**	205,566	**—**	—
Impaired	(c)	**126,203**	132,505	**—**	—
Trade receivables — gross		**828,430**	807,334	**—**	—
Less: allowance for impairment	(c)	**(126,203)**	(132,505)	**—**	—
Trade receivables — net		**702,227**	674,829	**—**	—
Notes receivables		**80,115**	18,957	**—**	—
	(d)	**782,342**	693,786	**—**	—
Other receivables, deposits and prepayments					
Consideration receivable for disposal of a subsidiary		**—**	37,975	**—**	—
Entrusted loan	(e)	**25,316**	25,316	**—**	—
Compensation receivable (Note 7)		**98,045**	148,678	**—**	—
Others		**170,808**	243,434	**20,589**	46,202
		294,169	455,403	**20,589**	46,202

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 2014, the government supplemental income receivables from the TEDA Finance Bureau were fully settled (2013: fully settled). Annual government supplemental income receivables do not have credit terms and the amounts are 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

For the year ended 31 December 2014

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:

	2014	2013
	HK$'000	HK$'000
Within 30 days	**28,813**	44,749
31 to 90 days	**7,211**	17,649
91 to 180 days	**169**	7,568
181 to 365 days	**832**	632
Over 1 year	**143,302**	134,968
	180,327	205,566

(c) As at 31 December 2014, trade receivables of HK$126,203,000 (2013: HK$132,505,000) 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:

	2014	2013
	HK$'000	HK$'000
Within 30 days	**—**	—
31 to 90 days	**—**	17
91 to 180 days	**56**	44
Over 180 days	**126,147**	132,444
	126,203	132,505

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

	2014	2013
	HK$'000	HK$'000
At 1 January	**132,505**	136,931
Exchange differences	**(16)**	3,639
Allowance made in the year	**4,992**	14,744
Reversal of allowance	**(11,278)**	(19,511)
Written off as uncollectible	**—**	(3,298)
At 31 December	**126,203**	132,505

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 2014

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:

	2014 **HK$'000**	2013 HK$'000
Within 30 days	**337,847**	342,037
31 to 90 days	**61,225**	52,416
91 to 180 days	**121,878**	58,707
181 to 365 days	**115,145**	105,629
Over 1 year (note (f))	**146,247**	134,997
	782,342	693,786

(e) The amount as at 31 December 2014 represented an entrusted loan to one government-related borrower (2013: one government-related borrower) in the PRC through one PRC financial institution (2013: one PRC financial institution) carrying interest at fixed rate. The outstanding amount is repayable within one year with a fixed interest rate at 6% per annum (2013: 6% per annum).

(f) As at 31 December 2014, the amounts included retentions held by customers for contract works of HK$95,348,000 (2013: HK$102,376,000).

(g) The carrying amounts of trade and notes receivables, other receivables and deposits approximate their fair values and they 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.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 **HK$'000**	2013 HK$'000
Investments held for trading		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**24,747**	7,443
Unlisted funds in the PRC	**251,028**	591,420
Unlisted bonds in the PRC	**326,607**	50,509
	607,741	654,731
Market values of listed shares	**30,106**	12,802

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

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

Notes to the Consolidated Financial Statements

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30. ENTRUSTED DEPOSITS

As at 31 December 2014, the entrusted deposits were placed with four financial institutions (2013: three financial institutions) in the PRC with maturity from 1 to 20 months (2013: 1 to 21 months) after the end of the reporting period. The deposits carry fixed rates of return ranging from 3.8% to 9.0% (2013: 4.7% to 9.0%) 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.

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

	The Group		**The Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**3,222,107**	3,346,717	**14,271**	25,827
Time deposits in banks with maturity less than three months	**2,417,277**	1,141,538	**1,896,083**	557,072
Balances with other financial institutions	**1,557**	1,660	**—**	—
Cash and cash equivalents	**5,640,941**	4,489,915	**1,910,354**	582,899
Time deposits in banks with maturity over three months	**143,412**	98,233	**—**	—
Restricted bank balances (note)	**279,474**	212,250	**—**	—
	6,063,827	4,800,398	**1,910,354**	582,899

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 they 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 3.35% (2013: 0.15% to 4.65%) per annum; these deposits have maturity from 8 to 240 days (2013: from 5 to 283 days).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32. SHARE CAPITAL

	Number of shares Thousand	Value HK$'000
Authorised:		
At 1 January 2013 and 31 December 2013		
— ordinary shares at HK$0.1 each	3,000,000	300,000
At 31 December 2014	N/A	N/A
Issued and fully paid:		
At 1 January 2013 and 31 December 2013		
— ordinary shares at HK$0.1 each	1,067,470	106,747
Transfer from share premium upon abolition of par value under the Hong Kong Companies Ordinance (Note 34)	—	5,004,487
At 31 December 2014		
— ordinary shares with no par value	1,067,470	5,111,234

Under the Hong Kong Companies Ordinance, with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. As such, the share premium account of the Company amounting to HK$5,004,487,000 was transferred to, and became part of, the share capital of the Company accordingly. There is no impact on the number of shares in issue on the relative entitlements of any of the shareholders as a result of this transition.

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) 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 2014

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 2013**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Balance at 31 December 2013**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Balance at 31 December 2014**
19 December 2007	17 January 2008 to 24 May 2017	8.040	3,500,000	—	—	—	3,500,000	**—**	**—**	**(2,200,000)**	**1,300,000**
16 December 2009	16 December 2009 to 24 May 2017	5.750	9,200,000	—	—	—	9,200,000	**—**	**—**	**(5,700,000)**	**3,500,000**
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	15,900,000	—	—	(600,000)	15,300,000	**—**	**—**	**(7,900,000)**	**7,400,000**
19 December 2012	19 December 2012 to 24 May 2017	4.060	18,800,000	—	—	—	18,800,000	**—**	**—**	**(10,900,000)**	**7,900,000**
20 December 2013	20 December 2013 to 24 May 2017	5.532	—	13,750,000	—	—	13,750,000	**—**	**—**	**(5,450,000)**	**8,300,000**
			47,700,000	13,750,000	—	(600,000)	60,850,000	**—**	**—**	**(32,150,000)**	**28,700,000**

Of the outstanding share options at 31 December 2014, 25,400,000 share options (2013: 53,350,000 share options) were granted to the directors. Details of the share options granted to directors are set out in section headed "Share Option Scheme" in the Report of the Directors.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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$'000	Available-for-sale financial assets revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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 of 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 and at 1 January 2014	**9,010**	**5,004,487**	**92,021**	**359,850**	**80,599**	**359,942**	**1,636,768**	**205,548**	**3,171,781**	**10,920,006**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**708,645**	**708,645**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(161,659)**	**(18,163)**	**–**	**(179,822)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(115,607)**	**(115,607)**
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	**–**	**(5,004,487)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,004,487)**
Share-based payments of an associate	**–**	**–**	**–**	**–**	**803**	**–**	**–**	**–**	**–**	**803**
Transfer between reserves	**–**	**–**	**3,575**	**77,427**	**–**	**–**	**–**	**–**	**(81,002)**	**–**
Transfer upon lapse of share options	**–**	**–**	**–**	**–**	**(38,239)**	**–**	**–**	**–**	**38,239**	**–**
Transfer upon disposal of an associate	**–**	**–**	**–**	**–**	**(6,390)**	**–**	**–**	**–**	**6,390**	**–**
At 31 December 2014	**9,010**	**–**	**95,596**	**437,277**	**36,773**	**359,942**	**1,475,109**	**187,385**	**3,728,446**	**6,329,538**

Retained earnings attributable to associates and accumulated losses attributable to joint ventures amounted to HK$1,053,004,000 (2013: HK$1,150,310,000) and HK$107,564,000 (2013: HK$94,219,000) 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 financial assets 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 2014

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 2013	5,004,487	59,608	1,677,091	82,360	6,823,546
Loss for the year	—	—	—	(25,191)	(25,191)
Other comprehensive income for the year	—	—	184,223	—	184,223
Share-based payments	—	13,088	—	—	13,088
Transfer upon lapse of share options	—	(561)	—	561	—
At 31 December 2013 and at 1 January 2014	**5,004,487**	**72,135**	**1,861,314**	**57,730**	**6,995,666**
Profit for the year	**—**	**—**	**—**	**828,868**	**828,868**
Other comprehensive (expense) income for the year	**—**	**—**	**(87,890)**	**89,695**	**1,805**
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	**(5,004,487)**	**—**	**—**	**—**	**(5,004,487)**
Dividends	**—**	**—**	**—**	**(115,607)**	**(115,607)**
Transfer upon lapse of share options	**—**	**(38,239)**	**—**	**38,239**	**—**
At 31 December 2014	**—**	**33,896**	**1,773,424**	**898,925**	**2,706,245**

At 31 December 2014, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$898,925,000 (2013: HK$57,730,000).

Notes to the Consolidated Financial Statements

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35. OBLIGATIONS UNDER FINANCE LEASES

During the year ended 31 December 2014, the Group leased certain of its equipment under finance leases. The lease term is 3 years. The interest rate is fixed at contract date at 6% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**20,704**	—	**19,000**	—
In the second to third year inclusive	**19,995**	—	**19,116**	—
	40,699	—	**38,116**	—
Less: finance charges relating to future period	**(2,583)**	—	**—**	—
Present value of lease obligations	**38,116**	—	**38,116**	—
Less: Amount due for settlement within one year shown under current liabilities			**(19,000)**	—
Amount due for settlement after one year			**19,116**	—

Finance lease obligations are denominated in Renminbi, the functional currency of the relevant group entity.

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36. BANK BORROWINGS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Bank borrowings				
— Unsecured	**2,530,450**	—	**2,530,450**	—
Current				
Short term bank borrowings				
— Unsecured	**188,548**	2,145,068	**—**	1,999,500
— Secured	**37,975**	—	**—**	—
	226,523	2,145,068	**—**	1,999,500
Total borrowings	**2,756,973**	2,145,068	**2,530,450**	1,999,500

notes:

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

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Within one year	**226,523**	2,145,068	**—**	1,999,500
In the second year	**2,530,450**	—	**2,530,450**	—
Wholly repayable within five years	**2,756,973**	2,145,068	**2,530,450**	1,999,500

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

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
US dollar	**37,975**	—	**—**	—
Renminbi	**188,548**	145,568	**—**	—
Hong Kong dollar	**2,530,450**	1,999,500	**2,530,450**	1,999,500
	2,756,973	2,145,068	**2,530,450**	1,999,500

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

36. 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	
	2014	2013	**2014**	2013
	%	%	**%**	%
Bank borrowings:				
US dollar	**1.31**	N/A	**N/A**	N/A
Renminbi	**3.20**	3.36	**N/A**	N/A
Hong Kong dollar	**2.17**	1.71	**2.17**	1.71

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

(e) On 10 December 2013, the Company obtained a new term loan banking 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 facility agreement. Subsequently on 30 January 2014, the term loan has been drawn down and was used to repay the prior term loan of HK$2,000,000,000.

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.

37. DEFERRED TAXATION

	2014	2013
	HK$'000	HK$'000
Deferred tax assets	**87,631**	100,077
Deferred tax liabilities	**(43,778)**	(46,845)
Deferred tax assets, net	**43,853**	53,232

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 enacted or 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.

Notes to the Consolidated Financial Statements

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37. DEFERRED TAXATION (Cont'd)

notes: (Cont'd)

(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$425,789,000 (2013: HK$345,267,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(d) The following are the major deferred tax (liabilities) and assets 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 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 41(a))	—	74,047	—	—	—	—	74,047
Exchange differences	230	(2,120)	1,009	78	(1,046)	(85)	(1,934)
At 31 December 2013 and at 1 January 2014	**(9,566)**	**(6,475)**	**36,761**	**76,205**	**(40,371)**	**(3,322)**	**53,232**
Deferred tax (charged) credited to profit or loss	**(3,976)**	**—**	**(3,059)**	**(5,390)**	**3,059**	**—**	**(9,366)**
Exchange differences	**(13)**	**—**	**(8)**	**—**	**8**	**—**	**(13)**
At 31 December 2014	**(13,555)**	**(6,475)**	**33,694**	**70,815**	**(37,304)**	**(3,322)**	**43,853**

38. TRADE PAYABLES AND NOTES PAYABLES

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

	2014 HK$'000	2013 HK$'000
Within 30 days	**353,001**	310,269
31 to 90 days	**353,436**	283,766
91 to 180 days	**433,360**	464,031
Over 180 days	**303,185**	230,403
	1,442,982	1,288,469

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

Notes to the Consolidated Financial Statements

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39. OTHER PAYABLES AND ACCRUALS

The amounts mainly consist of receipts in advance and accruals.

40. GAIN ON DISPOSAL OF AN ASSOCIATE

On 5 May 2014, the Company entered into a sale and purchase agreement with Tsinlien, controlling shareholder of the Company, pursuant to which, the Company had conditionally agreed to sell the entire equity interest of Famous Ever Group Limited ("Famous Ever"), a wholly owned subsidiary of the Company, to Tsinlien at a cash consideration of HK$890,000,000 (the "Disposal"). The sole asset of significance of Famous Ever is the holding of 558,000,000 ordinary shares of Dynasty, representing approximately 44.7% equity interest in Dynasty. The Disposal was completed on 25 June 2014 (the "Disposal Date") and Dynasty ceased to be an associate of the Group. The gain on the Disposal is analysed as follows:

	HK$'000
Cash consideration received	890,000
Analysis of asset over which control was lost:	
Interest in an associate	786,780
Gain on disposal:	
Consideration received	890,000
Asset disposed of	(786,780)
Cumulative exchange differences in respect of the net assets of Famous Ever reclassified from equity to profit or loss on loss of control	163,300
	266,520
Less: transaction costs	(31,152)
Gain on disposal	235,368
Net cash inflow arising on disposal:	
Cash consideration received	890,000
Less: transaction costs paid	(1,357)
	888,643

Notes to the Consolidated Financial Statements

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41. 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 Loyal Right reclassified from equity to profit or loss on loss of control	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 2014

41. 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 2014 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
Net assets disposed of	(124,367)
Non-controlling interests	54,722
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 2014

42. OPERATING LEASES

The Group and the Company as lessees

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Not later than one year	**7,239**	4,358	**6,804**	4,134
Later than one year and not later than five years	**4,059**	—	**3,961**	—
	11,298	4,358	**10,765**	4,134
Plants, pipelines and networks				
Not later than one year	**2,183**	2,636	**—**	—
Later than one year and not later than five years	**—**	1,292	**—**	—
	2,183	3,928	**—**	—
	13,481	8,286	**10,765**	4,134

The Group and the Company as lessors

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment properties				
Not later than one year	**8,419**	8,920	**5,443**	5,443
Later than one year and not later than five years	**13,204**	20,775	**13,154**	18,597
	21,623	29,695	**18,597**	24,040

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

43. CAPITAL COMMITMENTS

	2014	2013
	HK$'000	HK$'000
Authorised but not contracted for in respect of		
— Improvements on plant and machinery	**862,349**	959,000
Contracted but not provided for in respect of		
— Property, plant and equipment	**355,642**	296,030

44. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances of HK$279,474,000 (2013: HK$212,250,000) were pledged to financial institutions by the Group to secure general banking facilities.

Notes to the Consolidated Financial Statements

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45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2014	2013
	HK$'000	HK$'000
Profit before tax	**849,814**	843,460
Adjustments for:		
Share of profit of associates	**(700,944)**	(556,263)
Share of loss of joint ventures	**13,345**	3,107
Finance costs	**57,499**	52,782
Interest income	**(234,821)**	(214,556)
Depreciation	**158,721**	141,586
Amortisation	**19,461**	22,635
Impairment loss on goodwill	**51,009**	—
Gain on deregistration/disposal of subsidiaries	**(2,324)**	(171,851)
Gain on fair value change of an investment property	**(15,697)**	—
Gain on disposal of an associate	**(235,368)**	—
Net exchange loss (gain)	**6,569**	(19,205)
Net loss (gain) on disposal/written off of property, plant and equipment/land use rights	**37,859**	(278,610)
Reversal of allowance for trade receivables	**(6,286)**	(4,767)
Share-based payments	**—**	13,088
Unrealised gain on financial assets at fair value through profit or loss	**(6,427)**	(1,128)
Changes in working capital:		
Inventories	**(55,559)**	13,501
Trade receivables	**(21,043)**	166,460
Notes receivables	**(61,003)**	142,057
Other receivables, deposits and prepayments	**47,662**	(15,894)
Financial assets at fair value through profit or loss	**53,299**	(203,931)
Trade payables	**133,342**	(294,223)
Notes payables	**20,780**	139,812
Other payables and accruals	**277,404**	89,265
Amount due from ultimate holding company	**(403)**	1,023
Amounts due from/to related companies	**48,385**	138,649
Amounts due from/to customers for contract work	**(93,309)**	269,536
Net cash generated from operations	**341,965**	276,533

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

46. RELATED PARTY TRANSACTIONS

The Group is controlled by Tsinlien, which owned 63.07% (2013: 62.56%) of the Company's shares as at 31 December 2014. The remaining 36.93% (2013: 37.44%) 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 2014 and 2013, 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 2014 set out in Notes 7, 25, 26 and 40, 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)

	2014 **HK$'000**	2013 HK$'000
Operating lease expenses for land	**3,894**	3,948
Operating lease expenses for plants, pipelines and networks	**154,942**	156,491
Purchase of materials	**13,299**	3,729
Purchase of steam for sale	**797,172**	875,046
Purchase of property, plant and equipment	**5,736**	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.

(b) Key management compensation

	2014 **HK$'000**	2013 HK$'000
Salaries and other emoluments	**19,296**	21,024
Share-based payments	**—**	9,724
	19,296	30,748

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board on 26 March 2015.

48. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2014 are set out below:

Name	Principal activities	Registered capital/ issued and paid up capital	Percentage		
			Attributable to the Group	Held by the Company	Held by subsidiaries
Established and operating in the PRC					
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB80,018,400	**100**	**100**	**–**
Tianjin Tai Kang Investment Co., Ltd. ("Tianjin Tai Kang")	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.	Manufacture and sale of presses and mechanical equipment	RMB50,776,070	**64.91**	**–**	**78.45**
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment")	Manufacture and sale of hydroelectric equipment and large scale pump units	RMB413,397,627	**82.74**	**–**	**100**
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	**–**
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	**–**
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$221,693,643	**100**	**–**	**100**

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

Composition of the Group

At the end of the reporting period, the Company has 25 (2013: 24) other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

48. PRINCIPAL SUBSIDIARIES (Cont'd)

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 establishment and principal place of business	Profit allocated to non-controlling interests 2014 HK$'000	Profit allocated to non-controlling interests 2013 HK$'000	Accumulated non-controlling interests 2014 HK$'000	Accumulated non-controlling interests 2013 HK$'000
Tianjin Tai Kang	The PRC	**65,501**	70,810	**771,758**	706,092
Individually immaterial subsidiaries with non-controlling interests				**86,000**	71,695
				857,758	777,787

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 2014 HK$'000	At 31 December 2013 HK$'000
Current assets	**2,636,225**	2,710,785
Non-current assets	**2,617,570**	1,926,911
Current liabilities	**(2,270,721)**	(2,003,167)
Non-current liabilities	**(54,715)**	(40,371)
Equity attributable to owners of the Company	**2,156,601**	1,888,066
Non-controlling interests	**771,758**	706,092

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

48. 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 2014 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	**1,273,437**	1,002,547
Share of profit of associates	**527,576**	383,876
Profit for the year	**333,358**	377,068
Other comprehensive income for the year	**843**	57,444
Total comprehensive income for the year	**334,201**	434,512
Profit for the year, attributable to non-controlling interests	**65,501**	70,810
Total comprehensive income for the year, attributable to non-controlling interests	**65,666**	87,294
Prior years' dividends paid during the year	**(120,684)**	(96,158)
Net cash inflow from operating activities	**64,980**	70,626
Net cash (outflow) inflow from investing activities	**(482,279)**	154,102
Net cash inflow (outflow) from financing activities	**85,772**	(136,695)
Net cash (outflow) inflow	**(331,527)**	88,033

Notes to the Consolidated Financial Statements

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49. PRINCIPAL ASSOCIATES

Name	Principal activities	Registered capital/ issued and paid up capital	Percentage		
			Attributable to the Group	Held by the Company	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$171,961,000	**16.55**	–	20
Liaoning Wunushan Milan Winery Co., Ltd.	Brewing and processing of wine and ice wine products	RMB20,000,000	**25**	–	25
Benefo Financial Leasing Co., Ltd.	Provision of leasing facilities	RMB300,000,000	**40**	–	40
Established in the Cayman Islands, operating in and listed in Hong Kong					
Tianjin Port Development Holdings Limited ("Tianjin Port")	Provision of port services	HK$615,800,000	**21**	–	21

50. PRINCIPAL JOINT VENTURES

Name	Principal activities	Registered capital/ issued and paid up capital	Percentage		
			Attributable to the Group	Held by the Company	Held by subsidiaries
Established and operating in the PRC					
Tianjin Haihe Dairy Company Limited	Production 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

	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Results					
Revenue	3,223,034	3,517,032	3,890,394	4,952,429	**5,322,804**
Operating (loss) profit less finance costs	(844,591)	14,822	86,059	290,304	**162,215**
Share of profit (loss) of:					
Associates	551,165	603,451	458,535	556,263	**700,944**
Joint ventures	(19,522)	(1,088)	501	(3,107)	**(13,345)**
(Loss) profit before tax	(312,948)	617,185	545,095	843,460	**849,814**
Tax expense	(53,667)	(109,662)	(58,375)	(68,602)	**(60,037)**
(Loss) profit for the year from continuing operations	(366,615)	507,523	486,720	774,858	**789,777**
Profit for the year from operation of toll roads and port services	818,105	—	—	—	**—**
Profit for the year	451,490	507,523	486,720	774,858	**789,777**
Attributable to:					
Owners of the Company	474,172	437,195	413,094	704,353	**708,645**
Non-controlling interests	(22,682)	70,328	73,626	70,505	**81,132**
	451,490	507,523	486,720	774,858	**789,777**
Dividends	—	—	—	—	**115,607**
Assets and liabilities					
Total assets	13,173,667	14,431,733	17,587,863	17,606,659	**19,311,345**
Total liabilities	3,766,934	4,249,728	6,682,075	5,802,119	**7,012,815**
Total equity	9,406,733	10,182,005	10,905,788	11,804,540	**12,298,530**