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

Stock Code : 882

2015
ANNUAL REPORT

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

Pharmaceutical

Lisheng (002393.SZSE)
Research Institute
Yiyao Printing

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

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Institute of Pharmaceutical Research Co., Ltd.	67%	Research and development of new medicine technology and new products
Tianjin Yiyao Printing Co., Ltd.	43.55%	Design, manufacture and printing for pharmaceutical packaging
Tianjin Lisheng Pharmaceutical Co., Ltd.	34.41%	Manufacture and sale of chemical drugs

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

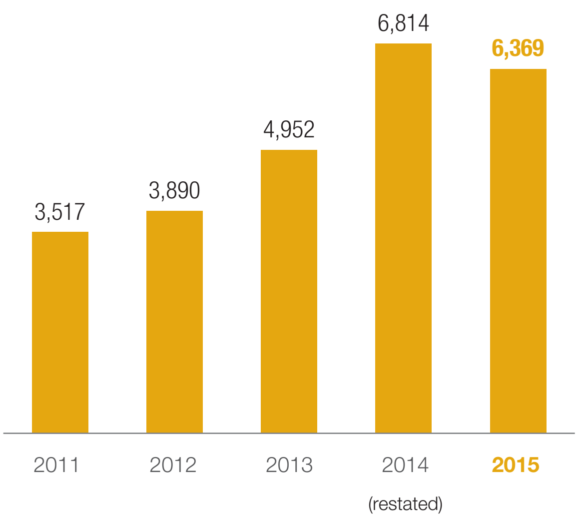
STRATEGIC AND OTHER INVESTMENTS

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

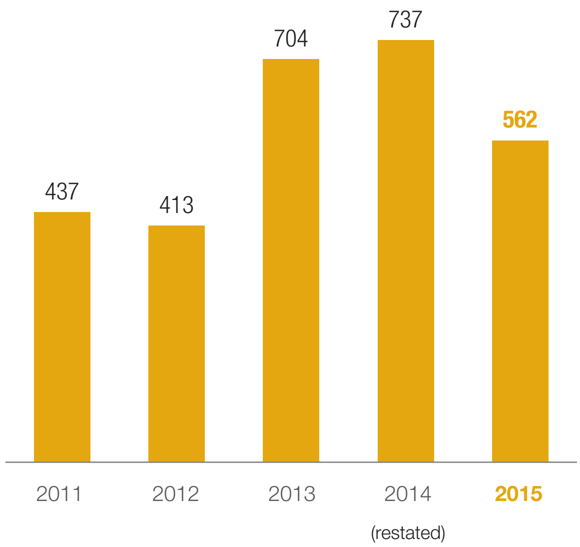
note: The above shareholding percentages represent effective equity interest in respective companies or group of companies.

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

	2015 HK$ million	2014 HK$ million (restated)	Changes %
Utilities	3,700	3,931	(5.9)
Pharmaceutical (note 1)	1,527	1,491	2.4
Hotel	109	119	(8.4)
Electrical and Mechanical	1,033	1,273	(18.9)
	6,369	6,814	(6.5)

Profit (Loss) Attributable to Owners of the Company

	2015 HK$ million	2014 HK$ million (restated)	Changes HK$ million
Utilities	68	68	—
Pharmaceutical (note 1)	108	28	80
Hotel	16	22	(6)
Electrical and Mechanical	(216)	(152)	(64)
Port Services	132	172	(40)
Elevators and Escalators	457	435	22
Corporate and Others (note 2)	(3)	164	(167)
	562	737	(175)

notes:

1. The results for 2014 and 2015 are prepared under the “Merger Accounting for Common Control Combinations” and include the pharmaceutical business operation.

2. Corporate and Others in 2014 includes a gain of HK$235 million on disposal of Dynasty Fine Wines.

Chairman's Statement

Mr. Zeng Xiaoping
Chairman

PROFIT AND DIVIDEND FOR THE YEAR 2015

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2015 was approximately HK$562.4 million, as compared to HK$737 million of last year. The Board recommends payment of a final dividend of HK5.65 cents per share for the year ended 31 December 2015. This final dividend together with the interim dividend of HK4.53 cents per share already paid will make a total of HK10.18 cents per share for the full year of 2015, representing an increase of 3.4% over 2014.

BUSINESS OVERVIEW

In 2015, the Company's various business segments have attained the anticipated objectives. During the year, the acquisition of 67% equity interest in pharmaceutical assets had been completed and has extended our business into the pharmaceutical sector. This acquisition will contribute a steady cash flow and earnings growth to the Company by capturing the market potential along with increasing demand for the pharmaceutical products in the PRC and leveraging the one-stop industrial chain of pharmaceutical assets from research and development to products manufacturing and packaging.

The utility sector was stable and achieved the expected results. The Tianjin Economic and Technological Development Area ("TEDA") after 30 years of development has been in a leading position for its overall strength, innovation capability and comprehensive competitiveness in the country. It is expected that the active enhancement and upgrading of its industrial structure by TEDA will facilitate further development of the utility sector.

The results of Hotel Courtyard by Marriott in Hong Kong was in line with our expectation. The tourism slowdown in Hong Kong during the year made the hotel business encounter more difficult operating environment. The room rate was reduced slightly and the average occupancy rate was at approximately 84%.

Chairman's Statement

BUSINESS OVERVIEW (Cont'd)

During the year, electrical and mechanical business was challenged by the slowdown in the sector, and the annual revenue decreased by 18.9% to HK$1,032.8 million and continued to record a substantial loss.

With respect to strategic investments, the profit contributions from Tianjin Port Development Holdings Limited and OTIS Elevator (China) Investment Company Limited have attained our expected targets.

OUTLOOK

Looking ahead to 2016, the global economy is experiencing a profound adjustment and sluggish recovery. The international trade will slack up. Financial and commodities markets will be volatile, and the external environment will be encountering increasing instability and uncertainty. The Chinese economy is facing a tedious downward pressure due to shifting growth pace, structural adjustment and the transition from old to new momentum. Nonetheless, the long term favourable fundamentals of China's economy remain unchanged, and it is expected that the gradual implementation of various economic measures will provide the impetus for the stable economic development.

The Company has full confidence in the business prospects. Meanwhile, the Company will also seize the opportunity brought up by the structure transformation of the Chinese economy, and shall, by capitalising our advantage and solid financial strength, be capable of dealing with various future challenges.

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

Zeng Xiaoping
Chairman

Hong Kong, 30 March 2016

Management Discussion and Analysis

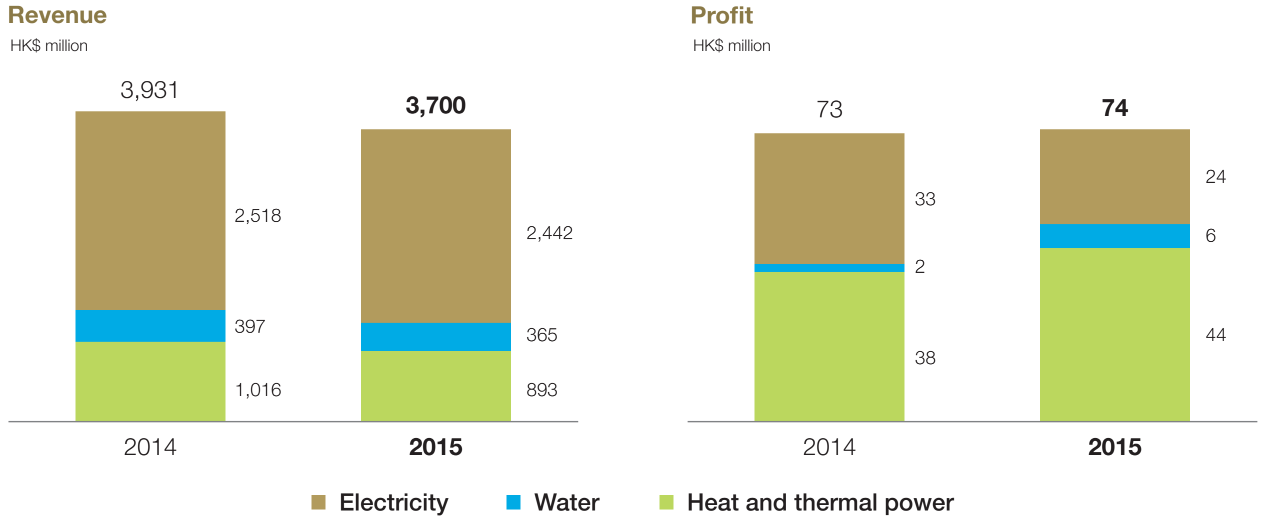
BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operated in the TEDA through supplying electricity, water, heat and thermal power to industrial, commercial and residential customers.

TEDA, located at the centre of Bohai economic rim, is a national development zone and an ideal place for manufacturing and R&D developments. TEDA plays a leading role over the past three decades in China's economic development.

Set out below is the breakdown of revenue and profit of the utility businesses:



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 (2014: 706,000 kVA).

In 2015, revenue from the Electricity Company was approximately HK$2,441.7 million, a decrease of 3% from HK$2,517.6 million last year. Profit decreased HK$8.6 million to approximately HK$24.1 million from HK$32.7 million last year. This was primarily due to increase in wages, maintenance costs and other operating expenses. The total quantity of electricity sold for the year was approximately 2,610,601,000 kWh, a decline of 0.3% over last year.

Management Discussion and Analysis

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 (2014: 425,000 tonnes).

In 2015, revenue from the Water Company was approximately HK$365.1 million, a 8% below that of 2014. The Water Company recorded a profit of approximately HK$6.1 million compared to HK$1.9 million in 2014. The increase was mainly attributable to the improved operating margins driven by tariff adjustments. The total quantity of water sold for the year was approximately 49,669,000 tonnes, representing a decrease of 4% over last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 360 kilometres (2014: 360 kilometres) and more than 105 processing stations (2014: 105 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2015, the Heat and Power Company reported revenue of approximately HK$893.2 million, a decrease of 12.1% over last year and recorded a profit of approximately HK$44.1 million, a 14.2% increase compared to 2014. The increase in profit was attributable to the improved operating margins driven by the reduction in average steam purchase cost. The total quantity of steam sold for the year was approximately 3,519,000 tonnes, representing an increase of 1% over last year.

Management Discussion and Analysis

Pharmaceutical

The pharmaceutical business refers to 67% equity interest in Thrive Leap Limited ("Thrive Leap") and was acquired from Golden Tripod Holdings Limited, a wholly-owned subsidiary of Tsinlien Group Company Limited ("Tsinlien") at a consideration of RMB2,315,855,000. The sale and purchase agreement was signed on 22 July 2015 and the acquisition was completed on 21 December 2015, and Thrive Leap became a 67%-owned subsidiary of the Company. The principal assets of the pharmaceutical business consist of the holding of 93,710,608 A shares, through its wholly-owned subsidiary TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) in Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) ("Lisheng"), representing approximately 51.36% of the total issued A shares in Lisheng, and 65% and 100% equity interest in Tianjin Yiyao Printing Co., Ltd. (天津宜藥印務有限公司) and Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司).

For the year ended 31 December 2015, Thrive Leap reported a revenue of approximately HK$1,526.9 million and recorded a profit of approximately HK$159.7 million. As the profit attributable to the Company was not up to the profit target according to the sale and purchase agreement and recorded a shortfall of approximately HK$54.6 million, Tsinlien and Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) (as vendor's guarantors) would have to pay the Company for the 67% shortfall amount in cash on or before 14 April 2016.

Management Discussion and Analysis

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 2015, revenue from Courtyard Hotel of approximately HK$109.2 million was 7.9% below that of the previous year. Against the backdrop of tourism slowdown in Hong Kong, profit from Courtyard Hotel decreased by HK$6.8 million to approximately HK$15.5 million for the year 2015. The average room rate was reduced slightly and the average occupancy rate was approximately 84.2%, a minor decline as compared to 85.4% in 2014.

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 2015, revenue from electrical and mechanical segment of approximately HK$1,032.8 million was 18.9% below that of last year. Loss from electrical and mechanical segment was approximately HK$281.2 million compared to HK$173.8 million in 2014. In the absence of amount written off of HK$26.2 million on property, plant and equipment and impairment charge of HK$108.4 million on goodwill related to hydraulic presses business, the loss would have been approximately HK$146.6 million, in comparison to a loss of HK$82.3 million in 2014 on a like-for-like basis. The increase in loss was due to lower operating profit which was primarily resulted from slowdown in the sector and higher manufacturing contracts cost estimate adjustments during the year.

Management Discussion and Analysis

Strategic and Other Investments

Port Services

As at 31 December 2015, the Group has 21% equity interest in Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382). Tianjin Port is engaged in the provision of port services including container and cargo handling services, sales and other port ancillary services in the PRC.

During the year, the revenue of Tianjin Port decreased by 38.8% to approximately HK$20,541.8 million and profit attributable to owners of Tianjin Port was approximately HK$639.4 million, representing a decrease of 21.9% over last year.

Tianjin Port contributed to the Group a profit of approximately HK$132.2 million, representing a decline of 23.2% as compared with 2014.

Elevators and Escalators

As at 31 December 2015, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited ("Otis China"). Otis China is engaged in the manufacture and sale of elevators and escalators in the PRC.

During the year, the revenue of Otis China amounted to approximately HK$22,674.7 million, representing a decrease of 15.6% over 2014.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$457.4 million, representing an increase of 5.2% over last year.

Investment in Binhai Investment Company Limited

As at 31 December 2015, the Group has 4.23% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 2886) and on that date, the market value of the Group's interest in Binhai Investment was approximately HK$121.6 million (2014: approximately HK$205.9 million) and the unrealised fair value loss of approximately HK$84.4 million (2014: a loss of approximately HK$29.8 million) was recognised in other comprehensive expense.

Management Discussion and Analysis

PROSPECT

Looking ahead to 2016, the global economy is experiencing a profound adjustment and sluggish recovery. The international trade will slack up. Financial and commodities markets will be volatile, and the external environment will be encountering increasing instability and uncertainty. The Chinese economy is facing a tedious downward pressure due to shifting growth pace, structural adjustment and the transition from old to new momentum. Nonetheless, the long term favourable fundamentals of China's economy remain unchanged, and it is expected that the gradual implementation of various economic measures will provide the impetus for the stable economic development.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2015, the Group's total cash on hand, total bank borrowings and obligations under finance leases stood at approximately HK$6,593.8 million, approximately HK$3,058.5 million and approximately HK$17.9 million respectively (31 December 2014 (restated): HK$7,907.4 million, HK$2,998 million and HK$38.1 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK$2,974.9 million (2014 (restated): approximately HK$352 million) and obligations under finance leases of HK$14.2 million (2014 (restated): HK$19 million) 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 30% as at 31 December 2015 (2014 (restated): approximately 29%).

Of the total HK$3,058.5 million bank borrowings outstanding as at 31 December 2015, HK$2,540.7 million were subject to floating rates with a spread of 1.8% over HIBOR of relevant interest periods and RMB434 million (equivalent to approximately HK$517.8 million) of bank borrowings were fixed-rate debts with annual interest rates at 1.72% to 5.68%. Annual interest rate for obligations under finance leases was 6%.

As at 31 December 2015, 83% (31 December 2014 (restated): 84.4%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 17% (31 December 2014 (restated): 14.3%) was denominated in Renminbi and no bank borrowings (31 December 2014 (restated): 1.3%) was denominated in US dollar.

During the year, the Group has not entered into any derivative contracts or hedging transactions. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and shall consider hedging foreign currency exposure should the need arise. The financial risk management objectives and policies of the Group are shown in Note 3 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of approximately 5,652 employees (31 December 2014: 2,700) of which approximately 567 (31 December 2014: 420) were management personnel and 2,368 (31 December 2014: 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 and also paid supplementary retirement benefits for certain retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2015, restricted bank balances and land use rights of HK$125.1 million (2014 (restated): HK$279.5 million) and HK$65.8 million (2014 (restated): HK$31.9 million) were pledged to financial institutions by the Group to secure general banking facilities.

SIGNIFICANT ACQUISITION OF A SUBSIDIARY

On 21 December 2015, the Group completed its acquisition of 67% of the issued share capital of Thrive Leap. Details of the acquisition are set out in the Report of the Directors under the section headed "*Connected Transactions*" on pages 51 to 52 of this Annual Report. Following completion, pharmaceutical business has become one of the Group's business segment.

Save as disclosed above, the Group did not have any other significant acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK5.65 cents per share for the year ended 31 December 2015 (2014: HK5.65 cents per share) to the shareholders whose names appear on the Company's register of members on 15 June 2016. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 2 June 2016, the final dividend will be paid on or about 13 July 2016.

This final dividend together with the interim dividend of HK4.53 cents per share paid on 26 October 2015 makes a total of HK10.18 cents per share for the year (2014: HK9.85 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 May 2016 (Tuesday) to 2 June 2016 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 30 May 2016 (Monday).

The register of members of the Company will be closed from 13 June 2016 (Monday) to 15 June 2016 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 June 2016 (Friday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZENG Xiaoping, aged 58, 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 44, 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 of Hong Kong Limited (the "Stock Exchange").

Mr. TUEN Kong, Simon, aged 53, 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 49, 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 50, 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 47, was appointed as an Executive Director of the Company on 26 March 2015. Dr. Yang is a chief 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 is currently the general manager of Tianjin Tai Kang Investment Co., Ltd. ("Tai Kang"), a non-wholly owned subsidiary of the Company, the chairman of Benefo Financial Leasing Co., Ltd. (百利融資租賃有限公司), an associate of the Company, and concurrently 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). He was also the chairman of Tai Kang during the period from May 2013 to November 2015. 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 66, 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, namely Hop Hing Group Holdings Limited (Stock Code: 47) and Agile Property Holdings Limited (Stock Code: 3383). He is also a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited (Stock Code: 315) and SUNeVision Holdings Ltd. (Stock Code: 8008). He is also a non-executive director of Tai Sang Land Development Limited (Stock Code: 89). In addition, he is currently a board member of The Community Chest of Hong Kong, a court member of The Open University of Hong Kong and the Honorary Council Member of the Hong Kong Institute of Directors Limited. He has held the position of the deputy member of The Open University of Hong Kong, a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance, a member of the Board of Review (Inland Revenue Ordinance), the deputy chairman of the Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong, and a non-executive director of SRE Group Limited (Stock Code: 1207) until 4 December 2015. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Dr. CHAN Ching Har, Eliza, *JP, BBS, LL.D. (Hon)*, aged 59, 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 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 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, Member of The Medical Council of Hong Kong, Member of Hospital Governing Committee of Queen Elizabeth Hospital, 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 88, 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 Agile Property Holdings Limited (Stock Code: 3383), a company whose shares are listed on the Stock Exchange. He served as an independent non-executive director of Hang Lung Group Limited (Stock Code: 10) and Hang Lung Properties Limited (Stock Code: 101) until 29 April 2015, both 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 66, 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 39 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 58, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Ms. Ng is the Deputy Chairman and Executive Director, Chief Strategy Officer & Chief Financial Officer and Company Secretary of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), a company whose shares are listed on the Stock Exchange. 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 China Power New Energy Development Company Limited (Stock Code: 735), a company whose shares are listed on the Stock Exchange. She served as an independent non-executive director of China Mobile Games and Entertainment Group Limited until 10 August 2015, 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) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882) until 7 June 2013 and 31 July 2015, both companies are listed on the Stock Exchange.

Mr. WONG Shiu Hoi, Peter, aged 75, 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, an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited as well as an overseas business advisor of Haitong Securities Company Limited. He is currently a consultant of Halcyon Holdings Limited and an advisor of Our Hong Kong Foundation. 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 66, 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), China Beidahuang Industry Group Holdings Limited (formerly 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), Mega Medical Technology Limited (formerly Wing Tai Investment Holdings Limited) (Stock Code: 876) and China New Energy Power Group Limited (Stock Code: 1041), all of these companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. JIN Baoxin, aged 50, 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 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 45, 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 43, 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.

Environmental, Social and Governance Report

This Environmental, Social and Governance ("ESG") Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "HKEx ESG Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and aims to provide stakeholders a comprehensive overview on our ESG policies, initiatives as well as performance.

This ESG report covers our principal operating segments of utilities, electrical and mechanical for the period from 1 January to 31 December 2015 (the "Reporting Period"). We have engaged our management and staff across our key subsidiaries and functions to review their operations, identify relevant ESG issues, and assess their materiality to our business as well as to the stakeholders. The table below highlights the ESG issues which were determined to be material to the Group covered in this report:

HKEx ESG Guide Reference	Material ESG issues
A. Environmental	
A1. Emissions	• Air emissions and water discharge • Greenhouse gases emissions • Waste management
A2. Use of resources	• Energy consumption • Water usage
A3. The environment and natural resources	• Environmental impact management
B. Social	
B1. Employment	• Labour practices
B2. Health & safety	• Workplace health and safety
B3. Development and training	• Employee development and training
B4. Labour standards	• Prevention of child and forced labour
B5. Supply chain management	• Responsible procurement
B6. Product responsibility	• Product and service quality
B7. Anti-corruption	• Anti-corruption and money laundering
B8. Community investment	• Community initiatives and donation

Note: The principal subsidiaries of the Group covered in this report are Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company"), Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company"), Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company"), Tianjin Tianduan Press Co., Ltd. ("Tianduan Press") and Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment"). No substantial packaging materials were used in the above-mentioned companies therefore the related disclosures set forth in the HKEx ESG Guide (i.e. KPI A2.5) are not applicable during the Reporting Period.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1. Emissions

In order to protect the environment, the Group takes an active role to manage our air and greenhouse gas emissions, discharges into water and land, and hazardous and non-hazardous waste from our business operations. We are committed to meet the requirements as set out in the local environmental laws and regulatory requirements including but not limited to the "Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法), the "Law of the People's Republic of China on Prevention and Control of Water Pollution" (中華人民共和國水污染防治法), the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法) and the "Law of the People's Republic of China on the Prevention and Control of Solid Waste" (中華人民共和國固體廢物污染環境防治法). We have taken into consideration the environmental sustainability into our business processes, and have dedicated teams to monitor our environmental performance regularly.

There were no material non-compliance cases noted in relation to environmental laws and regulations during the Reporting Period.

Air emissions and water discharge

Statistics of our air emissions and water discharge during the Reporting Period are summarised as follows:

Type of emissions	Total (Tonnes)
Chemical Oxygen Demand (COD)	13.47
Ammoniacal Nitrogen (NH3-N)	0.99
Sulphur Dioxide (SO_2)	0.92
Nitrogen Dioxide (NO_2)	2.99
Non-methane hydrocarbon (NMHC)	0.31
Dust	0.44
Petroleum	0.05
Xylene	0.21
Sewage	284,727.87

Note: The above statistics cover the air emissions and water discharge from Water Company, Tianduan Press and Tianfa Equipment during the Reporting Period.

To ensure the Group meets relevant standards, in addition to regular assessments and controls of air emissions and water discharge, we have also adopted various initiatives to reduce our emission levels, including:

- Enclosed shot-blasting equipment (噴丸密閉設備) and fiberglass filter cotton (玻璃纖維過濾棉) with activated carbon have been installed to filter emissions generated from our operations.

- Welding fumes generated from factories have been collected by gas-collecting hood (集氣罩) to reduce the amount of dust emissions in the air.

- Water treatment facilities have been put in place and licensed contractors have been engaged to collect and handle the sewage from operations.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Cont'd)

A1. Emissions (Cont'd)

Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 255,892 tonnes of the energy-related carbon dioxide equivalent (CO_2e) generated from our operations during the Reporting Period and we have implemented various energy-saving initiatives to help reduce our carbon footprint. Please refer to the "Energy Consumption" section below.

Waste management

The major types of industrial waste for the Group are scrap metals produced from the manufacturing processes of our electrical and mechanical segment (1,800 tonnes were produced during the Reporting Period). The amounts of hazardous waste from electrical and mechanical segment is insignificant, which are summarised as below:

Types of waste produced:	Total (Tonnes)
Used oil	0.030
Scrap mica	0.050
Oily waste	0.200
Waste acid	0.002
Alkali waste	0.002

Note: The above statistics cover the hazardous wastes from Tianfa Equipment during the Reporting Period.

All scrap metals have been recycled by a designated department and hazardous wastes have been collected and handled by licensed service providers during the Reporting Period. The storage of hazardous waste has fulfilled the "Standard for Pollution Control on Hazardous Waste Storage" (危險廢物貯存污染控制標準) and trainings have been provided to our employees on hazardous waste management. The group has no significant hazardous chemicals used in our operations.

In terms of general industrial waste management, wastes have been disposed in accordance with the "Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes" (一般工業固體廢物貯存、處置場污染控制標準). In addition, solid waste collection points have been established to centralise the storage of solid waste so as to avoid pollution.

A2. Use of Resources

The Group conserves resources for environmental and operating efficiency purposes. We closely monitor the utilisation of various resources and regularly report the related performance, as well as timely consider the appropriate remedial actions where necessary. The Group complies with the requirements set out in the "Law of the People's Republic of China on Energy Conservation" (中華人民共和國節約能源法) and encourages reuse and recycling practices in our operations.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Cont'd)

A2. Use of Resources (Cont'd)

Energy consumption

Statistics of our consumption of the direct and indirect energy during the Reporting Period are shown as below:

Type	Amount	Carbon emission
Petrol	34 tonnes	120 tonnes CO2e
Diesel	59,189 tonnes	182,264 tonnes CO2e
Natural gas	1,410,787 cubic meter	2,868 tonnes CO2e
Electricity	66,767,306 kWh	70,640 tonnes CO2e

Note: The above statistics represent the major direct and indirect amounts of energy consumed by Electricity Company, Water Company, Heat & Power Company, Tianduan Press and Tianfa Equipment, and the corresponding carbon emissions during the Reporting Period. Carbon emissions are calculated with reference to the Greenhouse Gas Protocol.

The Group has implemented certain energy reduction initiatives during the Reporting Period:

- Establishing energy management systems to monitor and control the use of energy.
- Deploying high-efficiency machines and equipment.
- Switching off non-essential lighting and reducing the use of air-conditioning.
- Controlling the use of corporate vehicles and performing regular maintenance to reduce the fuel consumption.
- Engaging our staff through trainings and various activities to raise the awareness of energy saving.

Use of water

During the Reporting Period, the aggregate amount of water consumed by Electricity Company, Water Company, Heat & Power Company, Tianduan Press and Tianfa Equipment was 5,985,132 tonnes.

On top of installing water efficient devices, we have carried out periodic inspection and replacement on water pipes to prevent leakages. During the Reporting Period, we have also implemented water efficiency initiatives in our operations, such as recycling 135,000 tonnes condensed water produced in supply of heat by Heat & Power Company and achieving 10% less water consumption as compared with 2014 by Tianduan Press.

A3. The Environment and Natural Resources

Environmental impact management

The Group is devoted to minimise our environmental impact through performing regular assessments and continuous monitoring of the environmental risks in our operations.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Cont'd)

A3. The Environment and Natural Resources (Cont'd)

Environmental impact management (Cont'd)

Apart from the emissions and use of resources described above, we are actively managing other key areas of impacts, including the noise generated from our transformers and construction works during the Reporting Period.

To better control and mitigate our environmental impact, we have developed environmental systems that meet the ISO14000 Environmental Management System Standard with key features including:

- Developing operating procedures and maintenance schedules in relation to environmental facilities, in order to ensure that the facilities are in good working condition throughout the operations.

- Providing induction orientation and trainings to technicians to enhance their environmental knowledge and ensure the smooth operations of all environmental protection facilities.

- Regularly informed local environmental authorities of the progress against environmental protection and pollution control and the respective results.

- Integrating environmental protection elements into performance evaluation to ensure that the environmental targets can be effectively implemented as appropriate.

There were no material non-compliance environmental issues noted during the Reporting Period.

B. SOCIAL

B1. Employment

Labour practices

The Group promotes ethical and fair labour policies. Our operating segments have established comprehensive guidelines to govern the employee compensation and dismissal, recruitment and promotion, working hours and leave policy, equal opportunity and other welfares, which have been clearly communicated to all employees and are regularly reviewed where necessary. The Group consistently follows the requirements as set out in the related laws and regulations including the "Labour Law of the People's Republic of China" (中華人民共和國勞動法) and the "Trade Union Law of the People's Republic of China" (中華人民共和國工會法).

There were no material non-compliance issues noted regarding our labour practices during the Reporting Period.

B2. Health and Safety

Workplace health and safety

We strictly follow the "State Administration of Work Safety Act" (國家安全生產法) and the "The National Standard of Occupational Health and Safety Management Systems" (職業健康安全管理體系認證) to provide a safe and healthy working environment to our employees.

Environmental, Social and Governance Report

B. SOCIAL (Cont'd)

B2. Health and Safety (Cont'd)

Workplace health and safety (Cont'd)

We have established employees' handbooks and safety guidelines for productions to clearly set out working procedures and specify the responsibilities of employees regarding workplace health and safety. Monitoring and management mechanism are in place for operations with related risks identified. We also provide safe equipment which are in conformity with the required standards and body check-up to our employees. We have also set safety targets and contingency plans, as well as performed evaluation of historical safety records.

There were no material non-compliance cases noted in relation to health and safety law and regulations during the Reporting Period.

B3. Development and Training

Employee development and training

We value the development of our employees and aim at assisting employees to achieve their career goals while meeting our business objectives. Training initiatives have been established to cater our employees' development needs according to their roles and responsibilities as well as our operational requirements. To equip our employees with technical knowledge and skills as well as personal development, we offer both internal and external training opportunities for various levels of employees.

B4. Labour Standards

Anti-child and forced labour

The Group strictly prohibits the use of child and forced labour, by adopting a comprehensive screening and recruiting process, as well as by conducting regular reviews and inspections to detect the employment of any child or forced labour situation in our operations.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations during the Reporting Period.

B5. Supply Chain Management

Responsible procurement

In the supplier selection process, the Group takes suppliers' social and environmental protection responsibilities into consideration, in addition to product or service quality and commercial factors. Our suppliers must comply with the national requirements and acquire relevant licenses and qualifications. We also regularly review the status of selected suppliers so as to ensure they meet the requirements.

Environmental, Social and Governance Report

B. SOCIAL (Cont'd)

B6. Product Responsibility

Product and service quality

We embrace the philosophy of "Safety First, Customer Foremost" (安全第一、用戶至上). We strive to provide quality products and services and make continuous improvement to achieve a higher standard. We benchmark our services quality for electricity supplies against the "Tianjin Economic and Technological Development Zone Administrative Measures for the Supply and Use of Electricity" (天津經濟技術開發區供用電管理辦法). The supply of water also meets the national standards including but not limited to the "Sanitary Standard for Drinking Water" (生活飲用水衛生標準), the "Water Quality Standards for Urban Water Supply" (城市供水水質標準), the "Technical Specification for Operation, Maintenance and Safety of City and Town Waterworks" (城鎮供水廠運行、維護及安全技術規程) to ensure the provision of a reliable and clean water supply.

For supply of Heat & Power, we govern our services in accordance with policies such as the "Tianjin Heat Supply Standard, Regulations and Specification" (天津市供熱規範、規章、文件及技術標準彙編), the "Regulations on Supply and Use of Heat in Tianjin" (天津市供熱用熱條例), and the "Tianjin Administrative Measures on Pricing for Heat Supply" (天津市供熱採暖收費管理辦法).

Our electrical and mechanical segment has developed a comprehensive quality control system in accordance with the ISO9000 Quality Management Standard which set out the required procedures addressing including but not limited to product design and development, procurement, production and quality controls.

B7. Anti-corruption

Anti-corruption and money laundering

The Group is committed to comply with laws regarding anti-corruption and money laundering including but not limited to the "Criminal Law of The People's Republic of China" (中華人民共和國刑法) and the "Law of the People's Republic of China on Anti-money Laundering" (中華人民共和國反洗錢法). We have a number of policies addressing anti-corruption and money laundering as well as employee code of conducts in place. On the other hand, the Group strives to promote business ethics and raise awareness through regular trainings and communications to our management and employees. Moreover, whistleblowing channels are also provided to stakeholders to report issues identified to us.

During the Reporting Period, there were no material non-compliance issues noted regarding corruption and money laundering.

B8. Community Investment

Community programmes and donation

Besides providing quality products and services to meet the needs of our users and development of the society, we also care for the community through various volunteer activities and monetary donation to the underserved. The Group encourages our employees to participate in various internal and external community programmes, for example, in 2015, we visited a community care centre for children with autism and sponsored their educational supplies. We also played an active role in supporting disaster relief programmes, especially in Tianjin region, including the 8.12 incident when we provided drinking water and medicine to the victims, as well as the 2015 snowstorm when we provided emergency maintenance support on heat supplies to the areas affected.

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 Listing Rules. Throughout the year, the Company has complied with the code provisions as set out in the CG Code.

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

THE BOARD OF DIRECTORS

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

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

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

During the year, the Board has revised the terms of reference of the Audit Committee such that the supervision responsibility with respect to the Group's risk management and internal control systems is supported by the Audit Committee.

Corporate Governance Report

Board Composition

As at 31 December 2015, 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)*
Mr. Wang Zhiyong *(General Manager)*
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan (appointed on 26 March 2015)
Mr. Zhang Wenli (resigned on 26 March 2015)

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

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 16 to 21 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.

Corporate Governance Report

Board Composition (Cont'd)

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

To the best knowledge of the Company 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 2015, the Board held four regular meetings. Due notice and board papers were given to all directors prior to the Board meetings in accordance with the Articles of Association and the 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)*		4/4
Mr. Wang Zhiyong *(General Manager)*		3/4
Mr. Tuen Kong, Simon		4/4
Dr. Cui Di		4/4
Ms. Zhang Lili		1/4
Dr. Yang Chuan	(appointed on 26 March 2015)	2/3
Mr. Zhang Wenli	(resigned on 26 March 2015)	1/1
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		4/4
Dr. Chan Ching Har, Eliza		4/4
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		4/4
Mr. Mak Kwai Wing, Alexander		2/4
Ms. Ng Yi Kum, Estella		4/4
Mr. Wong Shiu Hoi, Peter		4/4
Dr. Loke Yu		4/4

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 December 2015, 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)*		A
Mr. Wang Zhiyong *(General Manager)*		C
Mr. Tuen Kong, Simon		A & B
Dr. Cui Di		A
Ms. Zhang Lili		A
Dr. Yang Chuan	(appointed on 26 March 2015)	A
Mr. Zhang Wenli	(resigned on 26 March 2015)	N/A
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		A & B
Dr. Chan Ching Har, Eliza		A
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		A
Mr. Mak Kwai Wing, Alexander		B
Ms. Ng Yi Kum, Estella		A & B
Mr. Wong Shiu Hoi, Peter		A
Dr. Loke Yu		A

Notes:

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

Corporate Governance Report

Board Committees

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

Remuneration Committee

The Remuneration Committee was established in 2005 and is currently consisted of two independent non-executive directors, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander and one executive director, Mr. 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 2015, the Remuneration Committee held three meetings. During the meetings, the remuneration policy, remuneration packages and bonus arrangements of the directors and senior management have been discussed and approved. The attendance of committee members is recorded below:

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

The Remuneration Committee held a meeting on 2 February 2016. At the meeting, bonuses for the Company's directors, senior management and employees for the year ended 31 December 2015 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 2015 are set out in Notes 11 and 31 to the consolidated 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, risk management and internal control systems. 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 2015:

— reviewed the financial statements for the year ended 31 December 2014 and for the six months ended 30 June 2015;

— reviewed internal control matters with the external consultant;

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

— considered 2015 audit fees and audit work.

The Audit Committee held two meetings in 2015. 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 Meeting**
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. At the meeting, members of the Investment Committee had discussed and reviewed a major and connected transaction in relation to the acquisition of 67% of the issued share capital of Thrive Leap Limited. Details of the transaction may refer to the Company's Announcements dated 22 July 2015, 17 August 2015 and 21 December 2015 and the Circular to the shareholders dated 21 August 2015. The attendance of committee members is recorded below:

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

Nomination Committee and Appointment of Directors

The Nomination Committee was established on 13 December 2011 and currently consists of three independent non-executive directors, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Ms. Ng Yi Kum, Estella and two executive directors, Mr. 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. 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 had been reviewed and assessed. The existing size and composition 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)*	1/1
Dr. Cheng Hon Kwan	1/1
Mr. Mak Kwai Wing, Alexander	1/1
Ms. Ng Yi Kum, Estella	1/1
Mr. Wang Zhiyong	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 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, a new executive director was appointed.

Directors who are appointed by the Board shall hold office only until the next 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 2015.

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 2015. 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 2015 and also reviewed the 2015 unaudited interim financial statements of the Company in accordance with the HKFRSs.

During the year, the fees paid to Deloitte in respect of audit services amounted to approximately HK$3,700,000 and non-audit services in relation to consultancy and review services amounted to approximately HK$6,400,000.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee is assisting the Board in fulfilling its supervision responsibility through annual review and evaluation. During the year, the Board has engaged RSM Nelson Wheeler Consulting Limited ("RSM Nelson Wheeler") to perform internal audit to assess on the effectiveness of the Group's risk management and internal control systems. The assessment covers all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis.

The system of risk management and 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 rather than eliminate 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 2015 has been reviewed and discussed at the Audit Committee meeting held on 17 March 2016. The Board together with the senior management have on 30 March 2016, 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 3 June 2015 and 9 September 2015 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)*		1/1	0/1
Mr. Wang Zhiyong *(General Manager)*		1/1	1/1
Mr. Tuen Kong, Simon		1/1	1/1
Dr. Cui Di		1/1	1/1
Ms. Zhang Lili		0/1	0/1
Dr. Yang Chuan	(appointed on 26 March 2015)	0/1	0/1
Mr. Zhang Wenli	(resigned on 26 March 2015)	0/0	0/0
Non-Executive Directors			
Mr. Cheung Wing Yui, Edward		1/1	0/1
Dr. Chan Ching Har, Eliza		0/1	1/1
Independent Non-Executive Directors			
Dr. Cheng Hon Kwan		1/1	1/1
Mr. Mak Kwai Wing, Alexander		1/1	0/1
Ms. Ng Yi Kum, Estella		1/1	0/1
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, the Company has adopted a new set of Articles of Association. Such document is available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility 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 55 to 56 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 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 46, 47 and 48 to the consolidated financial statements respectively.

BUSINESS REVIEW

A review of the business of the Company and its subsidiaries (the "Group") for the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), including description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of this financial year and indication of likely future development in the Group's business are set out in the sections headed "*Chairman's Statement*", "*Management Discussion and Analysis*", "*Environmental, Social and Governance Report*" and "*Corporate Governance Report*" of this Annual Report, which form part of this report of the directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 57.

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 HK4.53 cents per share (2014: HK4.20 cents per share) was paid on 26 October 2015. The directors of the Company have recommended payment of a final dividend of HK5.65 cents per share (2014: HK5.65 cents per share). Details are set out in Note 12 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 158.

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

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

Report of the Directors

SHARE CAPITAL

During the year, a total of 5,300,000 ordinary shares of the Company were allotted and issued upon exercise of share options and net proceeds of HK$20,356,000 were received.

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out on pages 47 to 50, no equity-linked agreements were entered into by the Group during the year.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2015 are set out in Note 36 to the consolidated financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

On 10 December 2013, the Company entered into a facility agreement (the "Facility Agreement") 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.

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

If any of the abovementioned events of default occurs, the 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 2015.

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)*
Mr. Wang Zhiyong *(General Manager)*
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan (appointed on 26 March 2015)
Mr. Zhang Wenli (resigned on 26 March 2015)

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 101 of the Company's Articles of Association, Mr. Tuen Kong, Simon, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan, Ms. Ng Yi Kum, Estella and Dr. Loke Yu 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 16 to 21.

A list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this Report is available on the Company's website (www.tianjindev.com).

Report of the Directors

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).

DIRECTORS' INDEMNITIES

Pursuant to the Company's Articles of Association, subject to the provisions of the Companies Ordinance and so far as may be permitted by the Companies Ordinance, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate insurance cover in respect of directors' and officers' liabilities for the directors of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zeng Xiaoping, Mr. Wang Zhiyong and Dr. Cui Di are directors of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") which, through certain of its subsidiaries, is partly engaged in the businesses of pharmaceutical including manufacture and sale of medicinal raw materials, food additive and medical disinfecting products. As these businesses are of different types and/or different sales regions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Tsinlien Investment Holdings.

Save as disclosed above, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or 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 a director of the Company or an entity connected with him had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, 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	0.80%
Mr. Tuen Kong, Simon	2,900,000	0.27%
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%

notes:

1. All interests are held in the capacity as a beneficial owner.
2. All interests stated above represent long positions.
3. As at 31 December 2015, the total number of shares of the Company in issue was 1,072,770,125.
4. Details of the interests of directors in share options are set out in the paragraph headed "*Share Option Scheme*" in this section below.

(ii) Interests in the underlying shares of 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 2015, none of the directors or chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

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

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

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

The total number of shares available for issue under the Share Option Scheme are 27,812,012 shares, representing approximately 2.59% of the total number of shares of the Company in issue as at the date of this Report.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

(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:

			Number of share options						
				During the year					
	Date of grant	Exercise price per share *HK$*	As at 1 January 2015	Granted	Exercised	Lapsed	Cancelled	As at 31 December 2015	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
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 (note 1)	–	–	–	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,600,000	–	2,600,000 (note 1)	–	–	–	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
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 (note 2)	–	–	–	20/12/2013 – 24/05/2017
Zhang Wenli (note 3)	19/12/2007	8.040	300,000	–	–	300,000	–	–	17/01/2008 – 24/05/2017
	16/12/2009	5.750	500,000	–	–	500,000	–	–	16/12/2009 – 24/05/2017
	07/11/2011	3.560	300,000	–	–	300,000	–	–	11/11/2011 – 24/05/2017
	19/12/2012	4.060	300,000	–	–	300,000	–	–	19/12/2012 – 24/05/2017
	20/12/2013	5.532	200,000	–	–	200,000	–	–	20/12/2013 – 24/05/2017
Continuous contract employees	07/11/2011	3.560	900,000	–	–	–	–	900,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	900,000	–	–	–	–	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			28,700,000	–	5,300,000	1,600,000	–	21,800,000	

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

notes:

1. The closing price of the Company's shares immediately before the date on which the share options were exercised is HK$6.810.
2. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised is HK$7.880.
3. The share options of Mr. Zhang Wenli lapsed on 26 June 2015 due to his resignation as director of the Company on 26 March 2015.
4. There were no share options granted under the Share Option Scheme during the year ended 31 December 2015.

Details of the accounting policy adopted for the share options are set out in Notes 2(q) and 31 to the consolidated financial statements.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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**
Tsinlien Investment Holdings	1&2	Interest of controlled corporation	673,753,143	62.80%
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	673,753,143	62.80%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,753,143	62.80%
Tsinlien	1&3	Directly beneficially interest and Interest of controlled corporation	673,753,143	62.80%

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 2015, Tsinlien directly held 22,954,000 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 2015, 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 TRANSACTIONS

During the year, the Group had entered into the following connected transaction and continuing connected transactions, details of these transactions are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

(i) On 22 July 2015, Century Promise Limited ("Century Promise"), a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Golden Tripod Holdings Limited ("Golden Tripod"), a wholly-owned subsidiary of Tsinlien, as vendor, Tsinlien and Tianjin Pharmaceutical, as vendor's guarantors, in relation to the acquisition of 67% of the issued share capital of Thrive Leap Limited ("Thrive Leap", together with its subsidiaries, the "Thrive Leap Group") at a consideration of RMB2,315,855,000 (the "Acquisition").

    Pursuant to the Sale and Purchase Agreement, Tsinlien and Tianjin Pharmaceutical unconditionally and irrevocably guaranteed to Century Promise that the audited consolidated net profit attributable to owners of Thrive Leap (the "Actual Profit") according to the audited consolidated accounts of Thrive Leap Group prepared in accordance with the HKFRSs (the "Thrive Leap Audited Accounts") for the financial year ending 31 December 2015 shall be not less than RMB130,000,000 (the "2015 Profit Target") and for the two financial years ending 31 December 2016 and 2017 shall in aggregate be not less than RMB313,000,000 (the "2016 and 2017 Profit Target"). Tsinlien and Tianjin Pharmaceutical undertook to Century Promise that:

    (a) if the Actual Profit for the financial year ending 31 December 2015 falls short of the 2015 Profit Target, Tsinlien and Tianjin Pharmaceutical shall within 10 business days from the date of issue of the Thrive Leap Audited Accounts for the financial year ending 31 December 2015 pay to Century Promise in cash an amount equal to 67% of the HK$ equivalent (as defined in the circular of the Company dated 21 August 2015 (the "Circular") of the amount of such shortfall; and

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

Report of the Directors

CONNECTED TRANSACTIONS (Cont'd)

As Tsinlien is the controlling shareholder of the Company, and Golden Tripod and Tianjin Pharmaceutical are a wholly-owned subsidiary and the holding company of Tsinlien respectively, Tsinlien, Golden Tripod and Tianjin Pharmaceutical are all connected persons of the Company under the Listing Rules, the Acquisition therefore constituted a major and connected transaction of the Company under the Listing Rules. The Acquisition was approved by the independent shareholders at an extraordinary general meeting of the Company on 9 September 2015 and was completed on 21 December 2015.

Details of the Acquisition were disclosed in the Company's announcements dated 22 July 2015 and 17 August 2015 and the Circular.

Based on the Thrive Leap Audited Accounts for the financial year ended 31 December 2015, the Actual Profit for the financial year ended 31 December 2015 was approximately RMB61,757,000, which falls short of the 2015 Profit Target by approximately RMB68,243,000 (the "Profit Shortfall"). Accordingly, Tsinlien and Tianjin Pharmaceutical are obliged to compensate an amount of HK$54,576,000 (being 67% of the HK$ Equivalent of the Profit Shortfall) to Century Promise. Such compensation is expected to be received on or before 14 April 2016.

(ii) On 21 December 2015, the Company entered into a master sales agreement (the "Master Sales Agreement") with Tianjin Pharmaceutical in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products (the "Products") by members of the Group to members of the Tianjin Pharmaceutical Group for a term commencing from 21 December 2015 and up to 30 April 2016. The price of the Products shall be determined in accordance with the following principles:

(a) the price shall be that which members of the Group charge their independent third party customers in respect of the same Product under the same conditions;

(b) where there is no reference price available (e.g. in the case of the launch of new Products), the costs incurred by members of the Group in producing the new Products plus a reasonable profit margin, and taking into account, among others, market conditions and the price of similar products offered by independent third party suppliers in the same region; or

(c) discounts may be given depending on the quantity ordered and such discounts as well as the payment terms should be no more favourable to the Tianjin Pharmaceutical Group than those offered by the Group to its independent third party customers.

As Tianjin Pharmaceutical is an intermediate controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules, therefore the entering into of the Master Sales Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Details of the above transaction were disclosed in the Company's announcement dated 21 December 2015.

Report of the Directors

CONNECTED TRANSACTIONS (Cont'd)

For the year ended 31 December 2015, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was approximately RMB14,870,000 (equivalent to approximately HK$18,518,000), which is within the cap amount of RMB103,350,000 (equivalent to approximately HK$129,200,000).

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions have been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 10% 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	49%
–	five largest suppliers in aggregation	67%

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015.

Report of the Directors

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, 30 March 2016

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED
天津發展控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 157, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
Revenue	5	**6,368,910**	6,813,647
Cost of sales		**(5,185,302)**	(5,541,371)
Gross profit		**1,183,608**	1,272,276
Other income	6	**357,354**	366,475
Other (losses) gains, net	7	**(20,822)**	198,584
Selling and distribution expenses		**(368,362)**	(377,534)
General and administrative expenses		**(832,962)**	(895,028)
Other operating expenses		**(155,541)**	(186,976)
Finance costs	8	**(67,650)**	(67,603)
Share of profit (loss) of			
Associates	17	**690,714**	703,388
Joint ventures	18	**(11,597)**	(13,345)
Profit before tax		**774,742**	1,000,237
Tax expense	9	**(71,533)**	(96,119)
Profit for the year	10	**703,209**	904,118
Attributable to:			
Owners of the Company		**562,351**	737,009
Non-controlling interests		**140,858**	167,109
		703,209	904,118
		HK cents	HK cents (restated)
Earnings per share	13		
Basic		**52.50**	69.04
Diluted		**52.28**	68.32

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000 (restated)
Profit for the year		**703,209**	904,118
Other comprehensive (expense) income			
Item that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(8,339)**	(63)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences			
— the Group		**(614,065)**	13,133
— associates		**(230,105)**	(7,137)
— joint ventures		**(3,570)**	(34)
Change in fair value of available-for-sale financial assets	20	**(77,372)**	(21,683)
Deferred taxation on fair value change of available-for-sale financial assets		**(1,047)**	(1,213)
Share of other comprehensive (expense) income of an associate			
— available-for-sale financial assets revaluation reserve		**(2)**	11,608
Reclassification upon disposal/deregistration of subsidiaries and an associate		**—**	(167,478)
Other comprehensive expense for the year		**(934,500)**	(172,867)
Total comprehensive (expense) income for the year		**(231,291)**	731,251
Attributable to:			
Owners of the Company		**(157,856)**	560,100
Non-controlling interests		**(73,435)**	171,151
		(231,291)	731,251

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**5,118,453**	4,728,554	3,943,962
Land use rights	15	**475,302**	512,557	352,160
Investment properties	16	**166,093**	176,185	201,197
Interests in associates	17	**4,949,975**	4,934,021	5,302,320
Interests in joint ventures	18	**55,611**	70,778	84,157
Intangible assets	19	**223,890**	271,530	251,118
Deposits paid for acquisition of property, plant and equipment		**88,530**	128,239	87,704
Deposit paid for acquisition of a land use right		**—**	—	11,392
Deferred tax assets	37	**97,100**	102,174	112,446
Available-for-sale financial assets	20	**372,688**	470,303	491,966
Goodwill	21	**1,492**	111,764	163,032
		11,549,134	11,506,105	11,001,454
Current assets				
Inventories	22	**450,280**	523,094	484,947
Amounts due from joint ventures	23	**55,997**	14,027	14,794
Amount due from ultimate holding company	23	**204**	756	353
Amounts due from related companies	24	**43,817**	45,015	41,126
Amounts due from customers for contract work	25	**798,629**	805,383	762,038
Trade receivables	26	**873,207**	834,314	800,610
Notes receivables	26	**205,055**	309,410	310,903
Other receivables, deposits and prepayments	26	**367,021**	360,560	535,919
Financial assets at fair value through profit or loss	27	**186,107**	607,741	654,731
Entrusted deposits	28	**1,890,215**	2,066,940	1,531,176
Restricted bank balances	29 & 43	**125,065**	279,474	212,250
Time deposits with maturity over three months	29	**1,471,241**	1,160,260	1,461,154
Cash and cash equivalents	29	**4,997,450**	6,467,654	5,318,380
		11,464,288	13,474,628	12,128,381
Total assets		**23,013,422**	24,980,733	23,129,835
EQUITY				
Owners of the Company				
Share capital	30	**5,136,285**	5,111,234	106,747
Reserves	32	**5,042,608**	5,313,195	9,918,796
		10,178,893	10,424,429	10,025,543
Non-controlling interests		**3,603,307**	3,678,002	3,595,677
Total equity		**13,782,200**	14,102,431	13,621,220

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
LIABILITIES				
Non-current liabilities				
Defined benefit obligations	33	**37,005**	33,848	34,937
Deferred income	34	**125,124**	126,819	125,597
Obligations under finance leases — due after one year	35	**3,641**	19,116	—
Bank borrowings	36	**83,614**	2,645,875	154,412
Deferred tax liabilities	37	**44,053**	47,786	49,637
		293,437	2,873,444	364,583
Current liabilities				
Trade payables	38	**1,189,501**	1,124,367	986,407
Notes payables	38	**161,274**	377,829	356,996
Other payables and accruals	39	**3,449,289**	4,841,718	4,556,160
Amounts due to related companies	24	**886,811**	993,196	622,341
Amounts due to customers for contract work	25	**98,862**	103,591	153,792
Obligations under finance leases — due within one year	35	**14,221**	19,000	—
Bank borrowings	36	**2,974,892**	351,966	2,288,442
Current tax liabilities		**162,935**	193,191	179,894
		8,937,785	8,004,858	9,144,032
Total liabilities		**9,231,222**	10,878,302	9,508,615
Total equity and liabilities		**23,013,422**	24,980,733	23,129,835
Net current assets		**2,526,503**	5,469,770	2,984,349
Total assets less current liabilities		**14,075,637**	16,975,875	13,985,803

The consolidated financial statements on pages 57 to 157 were approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on its behalf by:

Zeng Xiaoping
Director

Wang Zhiyong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Owners of the Company				Non-controlling interests HK$'000	Total HK$'000
		Share capital HK$'000	Other reserves HK$'000 (note 32)	Retained earnings HK$'000	Sub-total HK$'000		
At 1 January 2014, originally stated		106,747	7,748,225	3,171,781	11,026,753	777,787	11,804,540
Effect of application of merger accounting	2	—	(1,725,296)	724,086	(1,001,210)	2,817,890	1,816,680
At 1 January 2014, restated		106,747	6,022,929	3,895,867	10,025,543	3,595,677	13,621,220
Profit for the year, restated		—	—	737,009	737,009	167,109	904,118
Other comprehensive (expense) income for the year, restated		—	(176,909)	—	(176,909)	4,042	(172,867)
Total comprehensive (expense) income for the year, restated		—	(176,909)	737,009	560,100	171,151	731,251
Transfer upon abolition of par value under the Hong Kong Companies Ordinance	30	5,004,487	(5,004,487)	—	—	—	—
Capital contribution by non-controlling interests, restated		—	—	—	—	1,551	1,551
Dividends, restated	12	—	—	(163,155)	(163,155)	(92,545)	(255,700)
Share-based payments of an associate		—	803	—	803	—	803
Transfer between reserves, restated		—	82,140	(81,002)	1,138	2,168	3,306
Transfer upon lapse of share options		—	(38,239)	38,239	—	—	—
Transfer upon disposal of an associate		—	(6,390)	6,390	—	—	—
		5,004,487	(4,966,173)	(199,528)	(161,214)	(88,826)	(250,040)
At 31 December 2014, restated		5,111,234	879,847	4,433,348	10,424,429	3,678,002	14,102,431
Profit for the year		**—**	**—**	**562,351**	**562,351**	**140,858**	**703,209**
Other comprehensive expense for the year		**—**	**(720,207)**	**—**	**(720,207)**	**(214,293)**	**(934,500)**
Total comprehensive (expense) income for the year		**—**	**(720,207)**	**562,351**	**(157,856)**	**(73,435)**	**(231,291)**
Dividends	12	**—**	**—**	**(109,208)**	**(109,208)**	**(34,205)**	**(143,413)**
Capital contribution by non-controlling interests		**—**	**—**	**—**	**—**	**32,507**	**32,507**
Share-based payments of an associate		**—**	**66**	**—**	**66**	**—**	**66**
Transfer between reserves		**—**	**72,211**	**(71,105)**	**1,106**	**438**	**1,544**
Exercise of share options	30	**25,051**	**(4,695)**	**—**	**20,356**	**—**	**20,356**
Transfer upon lapse of share options		**—**	**(2,585)**	**2,585**	**—**	**—**	**—**
		25,051	**64,997**	**(177,728)**	**(87,680)**	**(1,260)**	**(88,940)**
At 31 December 2015		**5,136,285**	**224,637**	**4,817,971**	**10,178,893**	**3,603,307**	**13,782,200**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (restated)
OPERATING ACTIVITIES			
Cash generated from operations	44	**1,007,720**	619,575
PRC income tax paid		**(91,879)**	(75,660)
Interest paid		**(79,418)**	(79,506)
NET CASH FROM OPERATING ACTIVITIES		**836,423**	464,409
INVESTING ACTIVITIES			
Proceeds from redemption of entrusted deposits		**3,268,845**	3,882,107
Dividends received from associates		**571,328**	493,285
Interest received		**243,045**	248,396
Release (addition) of restricted bank balances		**138,401**	(67,054)
Proceeds from disposal of property, plant and equipment/land use rights		**33,414**	100,311
Proceeds from redemption of an entrusted loan		**25,316**	25,316
Dividends received from available-for-sale financial assets		**14,932**	4,559
Addition of entrusted deposits		**(3,207,970)**	(4,395,201)
Purchase of property, plant and equipment/land use rights		**(868,940)**	(1,286,927)
(Increase) decrease in time deposits with maturity over three months		**(377,440)**	300,094
Additional contribution to associates		**(126,609)**	(203,055)
Advance to joint ventures		**(42,773)**	—
Addition of entrusted loans		**(25,316)**	(25,316)
Net proceeds from disposal of an associate	40	**—**	888,643
Proceeds from disposal of an investment property	16	**—**	40,646
Settlement of consideration receivable for disposal of a subsidiary in prior years		**—**	37,975
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(353,767)**	43,779
FINANCING ACTIVITIES			
Drawdown of bank borrowings		**326,358**	2,893,123
Contribution from non-controlling interests of subsidiary		**32,507**	—
Issue of ordinary shares		**20,356**	—
Acquisition of subsidiaries under common control		**(1,660,309)**	—
Repayment of bank borrowings		**(245,752)**	(2,319,149)
Dividend paid		**(143,413)**	(255,700)
Repayment of obligations under finance leases		**(17,912)**	(1,348)
Advance from related companies		**—**	318,423
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,688,165)**	635,349
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,205,509)**	1,143,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**6,467,654**	5,318,380
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(264,695)**	5,737
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**4,997,450**	6,467,654

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale 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's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 882). The directors of the Company consider Tsinlien Group Company Limited ("Tsinlien"), a company incorporated in Hong Kong, as the Company's ultimate holding company. Further details of Tsinlien are set out in note 45(b).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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 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 (the "HKICPA"). In addition, the consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value. The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("Companies Ordinance").

The provisions of the Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the new Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Basis of preparation (Cont'd)

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.

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 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.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

[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 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

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 2015

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. Under HKFRS 9, 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"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in 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 2015

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

Application of merger accounting

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

In December 2015, the Group completed the acquisition of 67% equity interest in Thrive Leap Limited ("Thrive Leap") from a wholly-owned subsidiary of Tsinlien for a cash consideration of RMB2,315,855,000 (equivalent to HK$2,772,483,000) (the "Consideration"). Pursuant to the terms of the sale and purchase agreement for the acquisition of Thrive Leap, Tsinlien and Tianjin Pharmaceutical Group Co., Ltd., a state-owned enterprise established in the PRC and the owner of Tsinlien ("Tianjin Pharmaceutical") (collectively referred as the "Vendor's Guarantors") have agreed to provide a profit guarantee to the Group in relation to the financial performance of Thrive Leap for the year ended 31 December 2015 and the two years ending 31 December 2017. If the audited consolidated net profit attributable to owners of Thrive Leap falls short of the guaranteed profit of RMB130,000,000 and RMB313,000,000 for the year ended 31 December 2015 and the two years ending 31 December 2017, respectively, the Vendor's Guarantors will pay an amount equal to 67% of such shortfall to the Group (the "Profit Guarantee Arrangement"). Further details are set out in page 51 in the Report of the Directors in section headed "Connected Transactions" and in Note 27 to the consolidated financial statements.

In applying AG 5 to the acquisition of Thrive Leap by the Group, the consolidated statements of financial position of the Group as at 1 January 2014 and 31 December 2014 have been restated to include the assets and liabilities of Thrive Leap and its subsidiaries (collectively referred to as "Thrive Leap Group") as if they were within the Group on those dates. The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 have also been restated to include the financial performance and cash flows of Thrive Leap Group as if this acquisition had been completed on 1 January 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Application of merger accounting (Cont'd)

The effects of the inclusion of Thrive Leap Group using merger accounting on the consolidated statement of profit or loss and statement of profit or loss and other comprehensive income for the year ended 31 December 2014 are as follows:

	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000 (restated)
Revenue	5,322,804	1,490,843	6,813,647
Cost of sales	(4,903,952)	(637,419)	(5,541,371)
Gross profit	418,852	853,424	1,272,276
Other income	310,987	55,488	366,475
Other gains (losses), net	203,753	(5,169)	198,584
Selling and distribution expenses	(55,049)	(322,485)	(377,534)
General and administrative expenses	(590,254)	(304,774)	(895,028)
Other operating expenses	(68,575)	(118,401)	(186,976)
Finance costs	(57,499)	(10,104)	(67,603)
Share of profit (loss) of			
Associates	700,944	2,444	703,388
Joint ventures	(13,345)	—	(13,345)
Profit before tax	849,814	150,423	1,000,237
Tax expense	(60,037)	(36,082)	(96,119)
Profit for the year	789,777	114,341	904,118
Attributable to:			
Owners of the Company	708,645	28,364	737,009
Non-controlling interests	81,132	85,977	167,109
	789,777	114,341	904,118
	HK cents	HK cents	HK cents
Earnings per share			
Basic	66.39	2.65	69.04
Diluted	65.69	2.63	68.32

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Application of merger accounting (Cont'd)

	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000 (restated)
Profit for the year	789,777	114,341	904,118
Other comprehensive (expense) income			
Item that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit obligations	—	(63)	(63)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences			
— the Group	13,166	(33)	13,133
— associates	(7,137)	—	(7,137)
— joint ventures	(34)	—	(34)
Change in fair value of available-for-sale financial assets	(29,771)	8,088	(21,683)
Deferred taxation on fair value change of available-for-sale financial assets	—	(1,213)	(1,213)
Share of other comprehensive income of an associate			
— available-for-sale financial assets revaluation reserve	11,608	—	11,608
Reclassification upon disposal/deregistration of subsidiaries and an associate	(167,478)	—	(167,478)
Other comprehensive (expense) income for the year	(179,646)	6,779	(172,867)
Total comprehensive income for the year	610,131	121,120	731,251
Attributable to:			
Owners of the Company	528,823	31,277	560,100
Non-controlling interests	81,308	89,843	171,151
	610,131	121,120	731,251

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Application of merger accounting (Cont'd)

The effects of the inclusion of Thrive Leap Group using merger accounting on the consolidated statements of financial position as at 1 January 2014 and 31 December 2014 are summarised below:

	At 1 January 2014			At 31 December 2014		
	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000
ASSETS						
Non-current assets						
Property, plant and equipment	2,194,969	1,748,993	3,943,962	2,556,082	2,172,472	4,728,554
Land use rights	160,703	191,457	352,160	237,995	274,562	512,557
Investment properties	201,197	—	201,197	176,185	—	176,185
Interests in associates	5,179,873	122,447	5,302,320	4,792,246	141,775	4,934,021
Interests in joint ventures	84,157	—	84,157	70,778	—	70,778
Intangible assets	232,046	19,072	251,118	253,471	18,059	271,530
Deposits paid for acquisition of property, plant and equipment	—	87,704	87,704	—	128,239	128,239
Deposit paid for acquisition of a land use right	—	11,392	11,392	—	—	—
Deferred tax assets	100,077	12,369	112,446	87,631	14,543	102,174
Available-for-sale financial assets	251,172	240,794	491,966	221,401	248,902	470,303
Goodwill	163,032	—	163,032	111,764	—	111,764
	8,567,226	2,434,228	11,001,454	8,507,553	2,998,552	11,506,105
Current assets						
Inventories	130,010	354,937	484,947	148,986	374,108	523,094
Amounts due from joint ventures	14,794	—	14,794	14,027	—	14,027
Amount due from ultimate holding company	353	—	353	756	—	756
Amounts due from related companies	41,048	78	41,126	44,937	78	45,015
Amounts due from customers for contract work	762,038	—	762,038	805,383	—	805,383
Trade receivables	674,829	125,781	800,610	702,227	132,087	834,314
Notes receivables	18,957	291,946	310,903	80,115	229,295	309,410
Other receivables, deposits and prepayments	455,403	80,516	535,919	294,169	66,391	360,560
Financial assets at fair value through profit or loss	654,731	—	654,731	607,741	—	607,741
Entrusted deposits	1,486,872	44,304	1,531,176	2,041,624	25,316	2,066,940
Restricted bank balances	212,250	—	212,250	279,474	—	279,474
Time deposits with maturity over three months	98,233	1,362,921	1,461,154	143,412	1,016,848	1,160,260
Cash and cash equivalents	4,489,915	828,465	5,318,380	5,640,941	826,713	6,467,654
	9,039,433	3,088,948	12,128,381	10,803,792	2,670,836	13,474,628
Total assets	17,606,659	5,523,176	23,129,835	19,311,345	5,669,388	24,980,733

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Application of merger accounting (Cont'd)

	At 1 January 2014			At 31 December 2014		
	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000	The Group excluding Thrive Leap Group HK$'000	Effect of application of merger accounting HK$'000	The Group including Thrive Leap Group HK$'000
EQUITY						
Share capital and reserves	11,026,753	(1,001,210)	10,025,543	11,440,772	(1,016,343)	10,424,429
Non-controlling interests	777,787	2,817,890	3,595,677	857,758	2,820,244	3,678,002
Total equity	11,804,540	1,816,680	13,621,220	12,298,530	1,803,901	14,102,431
LIABILITIES						
Non-current liabilities						
Defined benefit obligations	—	34,937	34,937	—	33,848	33,848
Deferred income	—	125,597	125,597	—	126,819	126,819
Obligations under finance leases						
— due after one year	—	—	—	19,116	—	19,116
Bank borrowings	—	154,412	154,412	2,530,450	115,425	2,645,875
Deferred tax liabilities	46,845	2,792	49,637	43,778	4,008	47,786
	46,845	317,738	364,583	2,593,344	280,100	2,873,444
Current liabilities						
Trade payables	931,473	54,934	986,407	1,065,153	59,214	1,124,367
Notes payables	356,996	—	356,996	377,829	—	377,829
Other payables and accruals (note)	1,486,805	3,069,355	4,556,160	1,750,576	3,091,142	4,841,718
Amounts due to related companies	573,094	49,247	622,341	752,096	241,100	993,196
Amounts due to customers for contract work	153,792	—	153,792	103,591	—	103,591
Obligations under finance leases						
— due within one year	—	—	—	19,000	—	19,000
Bank borrowings	2,145,068	143,374	2,288,442	226,523	125,443	351,966
Current tax liabilities	108,046	71,848	179,894	124,703	68,488	193,191
	5,755,274	3,388,758	9,144,032	4,419,471	3,585,387	8,004,858
Total liabilities	5,802,119	3,706,496	9,508,615	7,012,815	3,865,487	10,878,302
Total equity and liabilities	17,606,659	5,523,176	23,129,835	19,311,345	5,669,388	24,980,733
Net current assets	3,284,159	(299,810)	2,984,349	6,384,321	(914,551)	5,469,770
Total assets less current liabilities	11,851,385	2,134,418	13,985,803	14,891,874	2,084,001	16,975,875

note: These amounts include the Consideration to be paid upon application of the principles of merger accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Application of merger accounting (Cont'd)

The effects of the inclusion of Thrive Leap Group using merger accounting on the Group's equity on 1 January 2014 are analysed below:

	The Group excluding Thrive Leap Group HK$'000	**Effect of application of merger accounting HK$'000**	**The Group including Thrive Leap Group HK$'000**
Share capital	106,747	—	106,747
Share premium	5,004,487	—	5,004,487
Capital reserve	9,010	—	9,010
Exchange reserve	1,636,768	32,441	1,669,209
Other reserves	359,942	(1,916,962)	(1,557,020)
Available-for-sale financial assets revaluation reserve	205,548	10,124	215,672
General reserve	92,021	—	92,021
Statutory reserves	359,850	149,101	508,951
Share-based payments reserve	80,599	—	80,599
Retained earnings	3,171,781	724,086	3,895,867
Non-controlling interests	777,787	2,817,890	3,595,677
	11,804,540	1,816,680	13,621,220

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(i) Merger accounting for common control combination

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 and consolidated statement of profit or loss and other comprehensive income 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 for the comparative periods or when they first came under common control, whichever is shorter.

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

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

Acquisitions of businesses that are not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

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

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

(iii) Subsidiaries

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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.

(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 2015

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 2015

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 2015

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 entity operates (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 principal 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 differences on non-monetary financial assets held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are 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.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or 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, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(e) Land use rights

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(f) Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss 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 cost 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. Gain 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 2015

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.

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

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 2015

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 are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as at FVTPL.

Assets in these categories are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the period in which they arise.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(ii) Loans and receivables

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

Loans and receivables are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and receivables (including trade receivables, notes receivables, other receivables, amounts due from joint ventures, amount due from ultimate holding company, 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 and points 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.

(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 and losses from available-for-sale financial assets, included in other gains (losses), net.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

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

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, 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

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

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.

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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(l) Cash and cash equivalents

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

(m) Share capital

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

(n) Borrowings

Borrowings are 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.

(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 derecognises financial liabilities when, and only when, the Group'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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

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

Deferred income tax is 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.

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

(q) Employee benefits

(i) Retirement scheme obligations

Employees of the Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired 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 staff's salary and are recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(q) Employee benefits (Cont'd)

(i) Retirement scheme obligations (Cont'd)

The Group also provides supplementary pension benefits to certain retired PRC employees in the pharmaceutical segment, which are considered as defined benefit plans. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in other reserves and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefit expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(q) Employee benefits (Cont'd)

(ii) Share-based compensation

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as considerations for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is 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-market 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.

(r) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for 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 when there is reasonable assurance that the Group will comply with the conditions attaching to them.

(iv) Revenue from provision of research and development services are recognised when services are rendered and it is probable that the economic benefits will flow to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Significant accounting policies (Cont'd)

(r) Revenue and income recognition (Cont'd)

(v) Revenue from transfer of technical know-how to customers, whereby the Group provides the customers with the right to the technical know-how together with further research and development services subsequently required and associated with the technical know-hows. Under such multiple element arrangement, the consideration of each element is determined based on the amounts for each element stated in the customer contracts, which approximate to their relative fair values. The payment of the consideration is based on the milestones as defined in each customer contract. Revenue in respect of the transfer of technical know-how is recognised when titles have been passed to customers and revenue in respect of the services to be rendered by the Group for the associated research and development services subsequently provided is recognised in accordance with the accounting policy mentioned in (iv) above.

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

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

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

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

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 2015

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 2015

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 2015

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 is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2015, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2014: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$54,665,000 (2014: HK$43,056,000, restated) 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 20 and 27, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2014: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK$14,665,000 (2014: HK$45,626,000) and HK$12,666,000 (2014: HK$19,330,000, restated), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk

Other than the entrusted loans, entrusted deposits and bank balances and deposits specified in Notes 26, 28 and 29, respectively, the Group has no other significant assets bearing interest.

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

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

The Group's interest rate risk is arising from 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$2,540,650,000 at variable rates and HK$535,718,000 at fixed rates (2014: HK$2,608,913,000, restated at variable rates and HK$427,044,000, restated at fixed rates).

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower for Hong Kong 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$10,607,000 (2014: HK$10,565,000).

If interest rates had been 25 basis points (2014: 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$2,632,000 (2014: HK$3,197,000, restated); if interest rates had been 25 basis points (2014: 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$11,985,000 (2014: HK$10,968,000, restated).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(b) Credit and counterparty risk

Credit risk mainly arises from deposits maintained with banks and other financial institutions, entrusted deposits placed with financial institutions, as well as credit exposures to joint ventures, ultimate holding company, related companies, customers (including outstanding trade receivables balance) and other debtors (including entrusted loan). Overall, the carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk as at 31 December 2015.

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 2015 because it had placed entrusted deposits of approximately HK$1,890 million (2014: HK$2,067 million, restated) with six financial institutions (2014: five financial institutions, restated) in the PRC.

The directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the 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$411,850,000 (2014: HK$395,509,000). 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 2015, over 80% (2014: 86%, restated) of the Group's financial assets were bank deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions in the PRC. 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 2015 and 2014. 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 46), a subsidiary in the electrical and mechanical segment, around 26% (2014: 19%) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk factors (Cont'd)

(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 2015, the Group had cash and cash equivalents of approximately HK$4,997 million (2014: HK$6,468 million, restated), and obligations under finance leases and bank borrowings of approximately HK$18 million (2014: HK$38 million) and HK$3,059 million (2014: HK$2,998 million, restated), respectively.

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**	**Between 3 and 5 years HK$'000**	**Total HK$'000**
At 31 December 2015				
Obligations under finance leases	**15,178**	**3,672**	**—**	**18,850**
Bank borrowings	**3,039,596**	**25,334**	**67,216**	**3,132,146**
Amounts due to related companies	**886,811**	**—**	**—**	**886,811**
Trade payables, notes payables and other payables	**2,910,267**	**—**	**—**	**2,910,267**
	6,851,852	**29,006**	**67,216**	**6,948,074**

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 3 and 5 years HK$'000	Total HK$'000
At 31 December 2014, restated				
Obligations under finance leases	20,704	19,995	—	40,699
Bank borrowings	431,083	2,650,930	67,437	3,149,450
Amounts due to related companies	993,196	—	—	993,196
Trade payables, notes payables and other payables	4,676,935	—	—	4,676,935
	6,121,918	2,670,925	67,437	8,860,280

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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.

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.

	2015 **HK$'000**	2014 HK$'000 (restated)
Total cash and bank deposits	**6,593,756**	7,907,388
Less: obligations under finance leases and bank borrowings	**3,076,368**	3,035,957
Net cash	**3,517,388**	4,871,431
Shareholders' funds	**10,178,893**	10,424,429
Net gearing position	**Net cash**	Net cash

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Capital risk management (Cont'd)

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

	2015 HK$'000	2014 HK$'000 (restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**9,925,083**	11,403,417
Available-for-sale financial assets	**372,688**	470,303
Financial assets at fair value through profit or loss	**186,107**	607,741
	10,483,878	12,481,461
Financial liabilities		
Amortised cost	**6,873,446**	8,706,088

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.

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For the year ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Fair value measurements of financial instruments (Cont'd)

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

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

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015	2014				
	HK$'000	HK$'000 (restated)				
Available-for-sale financial assets						
— listed equity securities	**155,099**	234,395	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	**22,031**	30,106	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	**97,208**	251,028	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	**12,292**	326,607	Level 2	Discounted cash flow — Future cash flows are estimated based on contracted interest rates, and discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
— profit guarantee	**54,576**	—	Level 3	Discounted cash flow — Estimated profits of Thrive Leap Group attributable to the owners of Thrive Leap and discounted at a rate that reflect the risk of the arrangement	Estimated profit of Thrive Leap Group attributable to the owners of Thrive Leap	The higher the estimated profit of Thrive Leap Group attributable to the owners of Thrive Leap, the lower the fair value, vice versa

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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 movement of the profit guarantee during the year is set out below:

	HK$'000
At 1 January 2015	—
Fair value change recognised in profit or loss	54,576
At 31 December 2015	**54,576**

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of trade receivables, notes receivables, other receivables, entrusted deposits, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade payables, notes payables, other payables, 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.

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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 2015 at their fair values, details of which are disclosed in Note 16. The fair values of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair values of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amounts of these properties included in the consolidated statement of financial position.

(c) Impairment of intangible assets and goodwill

Determining whether intangible assets (where there are indicators of impairment) and goodwill are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal, of the respective CGU in particular those relating to the electrical and mechanical segment, and 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 respective 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 19 and 21.

(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 2015, the carrying value of the Group's interest in a major listed associate, including goodwill of approximately HK$1,121 million, Tianjin Port (as defined in Note 47), exceeded the market value (based on bid price quoted in an active market at 31 December 2015) of the Group's holding therein by approximately HK$1,889 million (2014: approximately HK$1,534 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Key sources of estimation uncertainty (Cont'd)

(e) Recoverability of deferred tax assets

As at 31 December 2015, deferred tax assets of HK$97,100,000 (2014: HK$102,174,000, restated) 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.

(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, 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 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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) Pharmaceutical

This segment derives revenue from manufacture and sale of pharmaceutical products and the provision of pharmaceutical research and development services as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

The pharmaceutical segment solely represents the operation of Thrive Leap Group. As set out in Note 2, the Group applied the principles of merger accounting in relation to its acquisition of Thrive Leap during the current year. The segment revenue, segment results, segment assets and segment liabilities have been restated to include the revenue, results, assets and liabilities of Thrive Leap Group.

(c) Hotel

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

(d) Electrical and mechanical

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

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port, 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 47), which manufactures and sells elevators and escalators.

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For the year ended 31 December 2015

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

For the year ended 31 December 2015

	Utilities HK$'000 (note i)	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,700,044	1,526,891	109,196	1,032,779	—	—	6,368,910
Operating profit (loss) before interest	60,877	196,717	18,594	(202,630)	—	—	73,558
Interest income	31,808	21,340	20	33,452	—	—	86,620
Gain on fair value change of a financial asset at fair value through profit or loss	—	54,576	—	—	—	—	54,576
Impairment loss on goodwill	—	—	—	(108,398)	—	—	(108,398)
Finance costs	—	(9,074)	—	(5,000)	—	—	(14,074)
Share of (loss) profit of associates	—	(675)	—	—	132,171	552,795	684,291
Profit (loss) before tax	92,685	262,884	18,614	(282,576)	132,171	552,795	776,573
Tax (expense) credit	(18,360)	(46,276)	(3,067)	1,363	—	—	(66,340)
Segment results — profit (loss) for the year	74,325	216,608	15,547	(281,213)	132,171	552,795	710,233
Non-controlling interests	(5,881)	(108,140)	—	65,565	—	(95,412)	(143,868)
Profit (loss) attributable to owners of the Company	68,444	108,468	15,547	(215,648)	132,171	457,383	566,365
Segment results — profit (loss) for the year includes:							
Depreciation and amortisation	66,995	77,348	16,996	80,559	—	—	241,898

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2014 (restated)

	Utilities HK$'000 (note i)	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	3,930,850	1,490,843	118,517	1,273,437	—	—	6,813,647
Operating profit (loss) before interest	83,320	123,191	26,731	(148,246)	—	—	84,996
Interest income	19,831	34,892	16	28,904	—	—	83,643
Impairment loss on goodwill	—	—	—	(51,009)	—	—	(51,009)
Finance costs	—	(10,104)	—	(5,427)	—	—	(15,531)
Share of profit of associates	—	2,444	—	—	171,954	525,200	699,598
Profit (loss) before tax	103,151	150,423	26,747	(175,778)	171,954	525,200	801,697
Tax (expense) credit	(29,944)	(36,082)	(4,413)	2,000	—	—	(68,439)
Segment results — profit (loss) for the year	73,207	114,341	22,334	(173,778)	171,954	525,200	733,258
Non-controlling interests	(5,504)	(85,977)	—	22,031	—	(90,650)	(160,100)
Profit (loss) attributable to owners of the Company	67,703	28,364	22,334	(151,747)	171,954	434,550	573,158
Segment results — profit (loss) for the year includes:							
Depreciation and amortisation	65,183	76,106	16,810	78,597	—	—	236,696

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For the year ended 31 December 2015

5. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

	2015 HK$'000	2014 HK$'000 (restated)
Reconciliation of profit for the year		
Total reportable segments	**710,233**	733,258
Gain on disposal of an associate	**—**	235,368
Gain on deregistration/disposal of subsidiaries	**—**	2,324
Corporate and others (note ii)	**(7,024)**	(66,832)
Profit for the year	**703,209**	904,118

notes:

(i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK$2,441,666,000, HK$365,124,000 and HK$893,254,000 respectively (2014: HK$2,517,604,000, HK$396,997,000 and HK$1,016,249,000 respectively).

The above revenue included government supplemental income of HK$115,567,000 (2014: HK$209,798,000).

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

Segment assets and liabilities

	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others HK$'000 (note)	Total HK$'000
As at 31 December 2015									
Segment assets	**3,766,858**	**5,700,630**	**577,163**	**3,473,848**	**3,556,978**	**970,551**	**18,046,028**	**4,967,394**	**23,013,422**
Segment liabilities	**2,340,455**	**1,206,793**	**9,916**	**1,859,043**	**—**	**—**	**5,416,207**	**3,815,015**	**9,231,222**
As at 31 December 2014 (restated)									
Segment assets	3,669,357	5,669,388	596,890	3,798,908	3,642,012	978,429	18,354,984	6,625,749	24,980,733
Segment liabilities	2,242,767	1,093,004	8,992	2,037,120	—	—	5,381,883	5,496,419	10,878,302

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Cont'd)

Other segment information

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

	2015 **HK$'000**	2014 HK$'000 (restated)
The PRC	**6,259,714**	6,695,130
Hong Kong	**109,196**	118,517
	6,368,910	6,813,647

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

	2015 **HK$'000**	2014 HK$'000 (restated)
The PRC	**10,586,858**	10,425,245
Hong Kong	**492,488**	508,383
	11,079,346	10,933,628

6. OTHER INCOME

	2015 **HK$'000**	2014 HK$'000 (restated)
Interest income	**243,045**	269,713
Government grants	**35,535**	56,744
Rental income under operating leases, net of negligible outgoings	**5,975**	11,690
Sale of scrap materials	**3,719**	1,948
Dividend income from available-for-sale financial assets	**14,932**	4,559
Sundries	**54,148**	21,821
	357,354	366,475

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. OTHER (LOSSES) GAINS, NET

	2015 HK$'000	2014 HK$'000 (restated)
Impairment loss on goodwill (Note 21)	**(108,398)**	(51,009)
Net exchange loss	**(32,911)**	(6,617)
Impairment loss on property, plant and equipment	**(14,038)**	(593)
Impairment loss on available-for-sale financial assets	**(5,017)**	—
Net loss on disposal/written off of property, plant and equipment	**(11,119)**	(37,984)
Gain on fair value change of a financial asset at fair value through profit or loss	**54,576**	—
Net gain on financial assets held for trading		
— listed	**28,406**	16,054
— unlisted	**65,207**	29,774
Reversal of allowance (allowance) for inventories	**2,472**	(4,430)
Gain on disposal of an associate (Note 40)	**—**	235,368
Gain on fair value change of an investment property	**—**	15,697
Gain on deregistration of a subsidiary	**—**	2,324
	(20,822)	198,584

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000 (restated)
Interest expenses on bank borrowings	**78,315**	77,837
Interest on obligations under finance leases	**1,103**	1,669
Less: Amounts capitalised on construction in progress (included in property, plant and equipment)	**(11,768)**	(11,903)
	67,650	67,603

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9. TAX EXPENSE

	2015 HK$'000	2014 HK$'000 (restated)
Current taxation		
PRC Enterprise Income Tax ("EIT")	**71,521**	88,922
Deferred taxation (Note 37)	**12**	7,197
	71,533	96,119

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2014: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for certain PRC subsidiaries which are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

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:

	2015 HK$'000	2014 HK$'000 (restated)
Profit before tax	**774,742**	1,000,237
Less: share of results of associates and joint ventures	**(679,117)**	(690,043)
	95,625	310,194
Calculated at applicable tax rates	**17,600**	58,850
Income not subject to taxation	**(48,794)**	(64,750)
Expenses not deductible for taxation purposes	**78,177**	79,945
Underprovision (overprovision) in prior years	**4,093**	(3,980)
Tax losses not recognised	**20,457**	26,054
Tax expense	**71,533**	96,119

The weighted average applicable tax rate is 18.41% (2014: 18.97%, restated).

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10. PROFIT FOR THE YEAR

	2015 **HK$'000**	2014 HK$'000 (restated)
Profit for the year is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments) (Note 11)	**971,226**	955,120
Cost of inventories recognised as an expense	**3,691,502**	3,849,997
Depreciation		
— charged to cost of sales	**129,643**	141,118
— charged to administrative expenses	**68,692**	69,893
— charged to selling expenses	**1,389**	1,468
— charged to other operating expenses	**16,996**	16,810
Amortisation of land use rights	**10,420**	8,727
Amortisation of intangible assets	**33,486**	16,272
Reversal of allowance for impairment of trade receivables	**(8,557)**	(6,705)
Operating lease expense on		
— plants, pipelines and networks	**149,101**	155,523
— land and buildings	**13,378**	14,391
Auditor's remuneration	**7,619**	7,195
Research and development costs charged to other operating expenses	**153,646**	168,831

11. EMPLOYEES' BENEFITS EXPENSE

	2015 **HK$'000**	2014 HK$'000 (restated)
Wages, salaries, bonus and social security costs	**971,226**	955,120

Notes to the Consolidated Financial Statements

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

(a) Emoluments of directors and chief executive

The emoluments paid or payable to each of the directors (including the chief executive) disclosed pursuant to the Listing Rules and the Companies Ordinance are as follows:

For the year ended 31 December 2015

Name of director	Fees HK$'000	Salaries and other benefits (i) HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors:					
Zeng Xiaoping (ii)	—	1,757	600	63	2,420
Wang Zhiyong	—	2,053	500	63	2,616
Tuen Kong, Simon	—	1,988	800	18	2,806
Cui Di	—	1,395	450	63	1,908
Zhang Lili (ii)	—	—	—	—	—
Yang Chuan (iii)	—	955	—	—	955
Zhang Wenli (iv)	—	—	—	—	—
Non-Executive Directors:					
Cheung Wing Yui, Edward	318	55	—	—	373
Chan Ching Har, Eliza	318	55	—	—	373
Independent Non-Executive Directors:					
Cheng Hon Kwan	382	55	—	—	437
Mak Kwai Wing, Alexander	382	55	—	—	437
Ng Yi Kum, Estella	382	55	—	—	437
Wong Shiu Hoi, Peter	382	55	—	—	437
Loke Yu	382	55	—	—	437
	2,546	8,533	2,350	207	13,636

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11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

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

For the year ended 31 December 2014

Name of director	Fees HK$'000	Salaries and other benefits [i] HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors:					
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]	—	—	—	—	—
Yu Rumin [v]	—	—	—	—	—
Wu Xuemin [v]	—	1,811	500	35	2,346
Dai Yan [vi]	—	2,262	—	—	2,262
Hao Feifei [vii]	—	—	—	—	—
Bai Zhisheng [viii]	—	—	—	—	—
Non-Executive Directors:					
Cheung Wing Yui, Edward	318	95	—	—	413
Chan Ching Har, Eliza	318	95	—	—	413
Independent Non-Executive Directors:					
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
	2,546	10,873	4,150	192	17,761

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

(ii) Appointed on 16 July 2014.

(iii) Appointed on 26 March 2015.

(iv) Resigned on 26 March 2015.

(v) Resigned on 16 July 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. EMPLOYEES' BENEFITS EXPENSE (Cont'd)

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

(vi) Resigned on 30 June 2014.

(vii) Appointed on 30 January 2014 and resigned on 16 July 2014.

(viii) Resigned on 30 January 2014.

(ix) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company, except for Dr. Yang Chuan who receives his emolument from a subsidiary of the Company.

(x) The emoluments of non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

(xi) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended 31 December 2015 and 2014.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2014: 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 2015 and 2014 were as follows:

	2015 HK$'000	2014 HK$'000
Salaries, bonus and other benefits	**8,586**	9,133
Discretionary bonuses	**2,800**	3,580
Retirement scheme contributions	**271**	132
	11,657	12,845

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

	2015	2014
Emolument bands (HK$)		
1,500,001–2,000,000	**2**	1
2,000,001–2,500,000	**1**	2
2,500,001–3,000,000	**2**	1
3,500,001–4,000,000	**—**	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:

	2015 **HK$'000**	2014 HK$'000
Salaries and other benefits	**3,333**	3,161
Discretionary bonuses	**850**	1,480
Retirement scheme contributions	**113**	105
	4,296	4,746

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

	2015	2014
Emolument bands (HK$)		
500,001–1,000,000	**1**	—
1,000,001–1,500,000	**—**	1
1,500,001–2,000,000	**2**	2
	3	3

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12. DIVIDENDS

	2015 HK$'000	2014 HK$'000 (restated)
Dividends recognised as distribution during the year		
— 2015 interim dividend, paid		
— HK4.53 cents per share (2014: HK4.20 cents per share)	**48,596**	44,834
— 2014 final dividend, paid		
— HK5.65 cents per share (2013: HK6.63 cents per share)	**60,612**	70,773
Dividends to the owners of a subsidiary of Thrive Leap prior to acquisition by the Group	**—**	47,548
	109,208	163,155

A final dividend of HK5.65 cents per share for the year ended 31 December 2015, amounting to approximately HK$60,612,000 in total, has been proposed by the board of directors of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000 (restated)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**562,351**	737,009
Number of shares	**Thousand**	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,071,151**	1,067,470
Effect of dilutive potential ordinary shares:		
Share options	**4,581**	11,274
Weighted average number of ordinary shares taking account of the share options for the purpose of diluted earnings per share	**1,075,732**	1,078,744

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14. PROPERTY, PLANT AND EQUIPMENT

	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 2015, restated	**2,059,919**	**326,622**	**2,404,906**	**165,552**	**59,536**	**2,039,199**	**6,983**	**7,062,717**
Exchange differences	**(107,735)**	**—**	**(146,138)**	**(7,591)**	**(3,118)**	**(126,473)**	**(405)**	**(391,460)**
Additions	**23,305**	**—**	**126,036**	**10,044**	**3,928**	**750,381**	**788**	**914,482**
Transfers	**413,587**	**—**	**56,947**	**8,934**	**281**	**(479,749)**	**—**	**—**
Disposals/written off	**(22,110)**	**—**	**(68,302)**	**(3,016)**	**(6,389)**	**(188)**	**(18)**	**(100,023)**
At 31 December 2015	**2,366,966**	**326,622**	**2,373,449**	**173,923**	**54,238**	**2,183,170**	**7,348**	**7,485,716**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2015, restated	**598,579**	**63,519**	**1,491,286**	**122,927**	**29,072**	**26,214**	**2,566**	**2,334,163**
Exchange differences	**(25,084)**	**—**	**(108,251)**	**(5,532)**	**(1,593)**	**(1,501)**	**(207)**	**(142,168)**
Charge for the year	**74,133**	**297**	**117,326**	**14,677**	**8,390**	**—**	**1,897**	**216,720**
Impairment loss recognised in profit or loss	**—**	**—**	**14,038**	**—**	**—**	**—**	**—**	**14,038**
Disposals/written off	**(7,697)**	**—**	**(39,648)**	**(2,642)**	**(5,445)**	**—**	**(58)**	**(55,490)**
At 31 December 2015	**639,931**	**63,816**	**1,474,751**	**129,430**	**30,424**	**24,713**	**4,198**	**2,367,263**
CARRYING VALUE								
At 31 December 2015	**1,727,035**	**262,806**	**898,698**	**44,493**	**23,814**	**2,158,457**	**3,150**	**5,118,453**
COST								
At 1 January 2014, originally stated	1,300,721	326,622	1,816,364	102,858	28,316	253,805	1,831	3,830,517
Effect of application of merger accounting	542,010	—	469,145	51,494	33,631	1,134,393	2,299	2,232,972
At 1 January 2014, restated	1,842,731	326,622	2,285,509	154,352	61,947	1,388,198	4,130	6,063,489
Exchange differences	548	—	301	26	(1)	1,644	7	2,525
Additions	10,272	—	77,010	13,404	3,824	993,742	2,846	1,101,098
Transfers	233,619	—	100,807	636	—	(335,062)	—	—
Disposals	(27,251)	—	(58,721)	(2,866)	(6,234)	(9,323)	—	(104,395)
At 31 December 2014, restated	2,059,919	326,622	2,404,906	165,552	59,536	2,039,199	6,983	7,062,717
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2014, originally stated	372,963	63,222	1,091,263	72,330	8,362	26,214	1,194	1,635,548
Effect of application of merger accounting	157,271	—	274,283	33,904	17,409	—	1,112	483,979
At 1 January 2014, restated	530,234	63,222	1,365,546	106,234	25,771	26,214	2,306	2,119,527
Exchange differences	148	—	308	37	8	—	4	505
Charge for the year	69,140	297	132,465	18,889	8,242	—	256	229,289
Impairment loss recognised in profit or loss	—	—	593	—	—	—	—	593
Disposals	(943)	—	(7,626)	(2,233)	(4,949)	—	—	(15,751)
At 31 December 2014, restated	598,579	63,519	1,491,286	122,927	29,072	26,214	2,566	2,334,163
CARRYING VALUE								
At 31 December 2014, restated	1,461,340	263,103	913,620	42,625	30,464	2,012,985	4,417	4,728,554

Notes to the Consolidated Financial Statements

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

notes:

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

(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
Other	5–10 years

(c) As at 31 December 2015, the carrying value of plant and machinery of the Group included an amount of HK$31,878,000 (2014: HK$38,116,000) in respect of assets held under finance leases.

15. 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.

Land use rights with a carrying amount of approximately HK$66 million (2014: HK$32 million, restated) have been pledged to secure banking borrowings.

Land ownership certificates have not been obtained for leasehold land located in Tianjin with carrying values of HK$84,711,000 (2014: HK$87,207,000, restated). In the opinion of the directors of the Company, the absence of formal title to these land interests does not impair their carrying value and the probability of being evicted on the ground of an absence of formal title is remote.

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16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2014	201,197
Exchange differences	(63)
Increase in fair value recognised in profit or loss	15,697
Disposal (note (b))	(40,646)
At 31 December 2014	176,185
Exchange differences	(10,092)
At 31 December 2015	**166,093**

There was no unrealised gain on property revaluation included in profit or loss during the current year (2014: HK$15,697,000).

notes:

(a) The investment properties are categorised as follows:

	2015 **HK$'000**	2014 HK$'000
Land use rights in the PRC	**166,093**	176,185

(b) During the year ended 31 December 2014, the Group disposed of an investment property at the 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 2015 and 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.

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16. INVESTMENT PROPERTIES (Cont'd)

notes: (Cont'd)

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

Description	Fair value hierarchy	Fair value at 31 December 2015 HK$'000	Fair value at 31 December 2014 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Tianjin	Level 3	**106,427**	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 8,300 (2014: 4.5%–5.5%; 340.6–367.9; and 8,100)	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	**59,666**	63,291	Market comparable approach	Price per square meter in RMB	5,695–6,078 (2014: 5,626–6,013)	The higher the price per square meter, the higher the fair value

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

17. INTERESTS IN ASSOCIATES

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
The Group's interests in associates			
— Listed shares in Hong Kong			
— Dynasty Fine Wines (as defined in Note 40)	**—**	—	786,780
— Tianjin Port	**3,556,978**	3,642,012	3,533,530
— Unlisted shares in the PRC			
— Otis China	**970,551**	978,429	843,456
— Others	**422,446**	313,580	138,554
	4,949,975	4,934,021	5,302,320
Market value of listed shares			
— Tianjin Port	**1,668,202**	2,107,883	1,719,929

Interests in associates as at 31 December 2015 included goodwill of HK$1,120,729,000 (2014: HK$1,120,729,000) arising from acquisition of Tianjin Port. Share of associates' taxation for the year ended 31 December 2015 of HK$268,660,000 (2014: HK$297,773,000) are included in the consolidated statement of profit or loss as share of profit of associates.

Details of principal associates which in the directors' opinion materially affect the results and/or net assets of the Group at 31 December 2015 are set out in Note 47.

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17. INTERESTS IN ASSOCIATES (Cont'd)

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 2015 HK$'000	At 31 December 2014 HK$'000	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000
Current assets	**13,285,419**	14,854,505	**10,661,056**	10,522,475
Non-current assets	**33,166,504**	34,260,872	**2,180,237**	2,201,925
Current liabilities	**(9,904,104)**	(12,000,487)	**(7,581,288)**	(7,302,910)
Non-current liabilities	**(11,926,227)**	(11,587,333)	**(29,657)**	(32,032)

	Tianjin Port		**Otis China**	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000
Revenue	**20,541,760**	33,485,612	**22,674,693**	26,891,449
Profit for the year, attributable to the owners of the associates	**639,387**	819,125	**2,763,977**	2,626,001
Other comprehensive (expense) income for the year, attributable to the owners of the associates	**(707,057)**	17,804	**(290,715)**	1,704
Total comprehensive (expense) income for the year, attributable to the owners of the associates	**(67,670)**	836,929	**2,473,262**	2,627,705
Dividends received from the associate during the year	**68,797**	68,013	**502,531**	425,272

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17. INTERESTS IN ASSOCIATES (Cont'd)

Summarised financial information of associates (Cont'd)

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

	Tianjin Port		Otis China	
	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000
Equity attributable to owners of the associate	**11,610,721**	12,005,796	**4,815,731**	4,871,167
Proportion of the Group's ownership interest in the associate	**2,438,251**	2,521,217	**963,146**	974,233
Goodwill	**1,120,729**	1,120,729	**—**	—
Other adjustments	**(2,002)**	66	**7,405**	4,196
Carrying amount of the Group's interest in the associate	**3,556,978**	3,642,012	**970,551**	978,429

Aggregate information of associates that are not individually material:

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
The Group's share of profit	**5,747**	6,234
The Group's share of other comprehensive (expense) income	**(23,480)**	392
The Group's share of total comprehensive (expense) income	**(17,733)**	6,626
Aggregate carrying amount of the Group's interests in these associates	**422,446**	313,580

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18. 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 2015	**159,179**	**133,668**	**274,917**	**—**	**228,588**	**(11,597)**
As at 31 December 2014	141,409	153,214	264,869	—	277,894	(13,345)

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 2015 are set out in Note 48.

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 48), 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.

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18. INTERESTS IN JOINT VENTURES (Cont'd)

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

Wunushan Icewine

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Current assets	**20,302**	5,350
Non-current assets	**119,791**	137,800
Current liabilities	**(65,957)**	(46,751)
Non-current liabilities	**—**	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**18,794**	2,378
Current financial liabilities (excluding trade and other payables and provisions)	**(1,565)**	(25,253)
Non-current financial liabilities (excluding trade and other payables and provisions)	**—**	—

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**43**	4,565
Loss for the year	**(17,471)**	(21,949)
The above loss for the year is arrived at after (charging) crediting:		
Depreciation and amortisation	**(6,766)**	(6,717)
Interest income	**—**	2,437
Interest expense	**(1,982)**	(1,462)
Tax expense	**—**	—

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18. 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 2015 HK$'000	At 31 December 2014 HK$'000
Net assets of Wunushan Icewine	**74,136**	96,399
Proportion of the Group's ownership interest in Wunushan Icewine and carrying amount of the Group's interest therein	**41,516**	53,984

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
The Group's share of post-tax loss	**(1,813)**	(1,054)
The Group's share of other comprehensive expense	**(886)**	(3)
The Group's share of total comprehensive expense	**(2,699)**	(1,057)

The Group has discontinued recognition of its share of losses of a joint venture. The amounts of cumulative unrecognised share of losses and unrecognised share of profit for both years are as follows:

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
The unrecognised share of profit of a joint venture for the year	**4,194**	7,823
Cumulative unrecognised share of losses of a joint venture	**(117,915)**	(122,109)

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS

	Development costs HK$'000 (note i)	Patents HK$'000 (note ii)	Technical know-how HK$'000 (note iii)	Total HK$'000
COST				
At 1 January 2014, originally stated	—	246,184	—	246,184
Effect of application of merger accounting	—	15,893	13,925	29,818
At 1 January 2014, restated	—	262,077	13,925	276,002
Exchange differences	93	—	—	93
Additions	36,631	—	—	36,631
At 31 December 2014, restated	**36,724**	**262,077**	**13,925**	**312,726**
Exchange differences	**(2,103)**	**(15,010)**	**(799)**	**(17,912)**
At 31 December 2015	**34,621**	**247,067**	**13,126**	**294,814**
AMORTISATION				
At 1 January 2014, originally stated	—	14,138	—	14,138
Effect of application of merger accounting	—	10,746	—	10,746
At 1 January 2014, restated	—	24,884	—	24,884
Exchange differences	3	37	—	40
Charge for the year	1,158	15,114	—	16,272
At 31 December 2014, restated	**1,161**	**40,035**	**—**	**41,196**
Exchange differences	**(548)**	**(3,210)**	**—**	**(3,758)**
Charge for the year	**11,570**	**21,916**	**—**	**33,486**
At 31 December 2015	**12,183**	**58,741**	**—**	**70,924**
CARRYING VALUE				
At 31 December 2015	**22,438**	**188,326**	**13,126**	**223,890**
At 31 December 2014, restated	35,563	222,042	13,925	271,530
At 1 January 2014, restated	—	237,193	13,925	251,118

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS (Cont'd)

notes:

(i) Development costs represent costs incurred by the Group for the design and development of new production systems under electrical and mechanical segment.

(ii) Patents were acquired by the Group through the acquisitions of subsidiaries.

(iii) Technical know-how represents medical license and technical know-how acquired separately and will be amortised over their expected useful lives.

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Equity securities				
Listed, at market value	(a)	**155,099**	234,395	256,058
Unlisted	(b)	**217,589**	235,908	235,908
		372,688	470,303	491,966

	HK$'000
At 1 January 2014, originally stated	251,172
Effect of application of merger accounting	240,794
At 1 January 2014, restated	491,966
Exchange differences	20
Change in fair value	(21,683)
At 31 December 2014, restated	**470,303**
Exchange differences	**(15,226)**
Impairment loss recognised in profit or loss	**(5,017)**
Change in fair value	**(77,372)**
At 31 December 2015	**372,688**

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

notes:

(a) The listed securities mainly represent the Group's 4.23% equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2015, the market value of the Group's equity interest in Binhai Investment was HK$121,566,000 (2014: HK$205,919,000) and the unrealised fair value loss of HK$84,353,000 (2014: loss of HK$29,771,000) for the year ended 31 December 2015 was recognised in other comprehensive expense.

(b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi and carried at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

21. GOODWILL

	HK$'000
COST	
At 1 January 2014 and 31 December 2014	163,032
Exchange differences	(9,338)
At 31 December 2015	**153,694**
IMPAIRMENT	
At 1 January 2014	—
Exchange differences	259
Impairment losses recognised in profit or loss	51,009
At 31 December 2014	**51,268**
Exchange differences	**(7,464)**
Impairment losses recognised in profit or loss	**108,398**
At 31 December 2015	**152,202**
CARRYING VALUE	
At 31 December 2015	**1,492**
At 31 December 2014	111,764

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.

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21. GOODWILL (Cont'd)

As at 31 December 2015, the recoverable amount of this group of CGUs, which is the higher of value in use and fair value less costs of disposal, was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets provided by management for the coming 5 years and discount rate of 10%. 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$108,398,000 for the current year (2014: HK$51,009,000) based on such assessment.

22. INVENTORIES

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Raw materials	**160,330**	202,300	215,466
Work in progress	**74,785**	83,942	108,346
Finished goods	**212,106**	231,422	155,942
Consumable stocks	**3,059**	5,430	5,193
	450,280	523,094	484,947

23. AMOUNTS DUE FROM JOINT VENTURES AND ULTIMATE HOLDING COMPANY

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

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24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)	**Maximum amount outstanding during the year HK$'000**
Amounts due from related companies	**43,817**	45,015	41,126	50,107
Amounts due to related companies	**886,811**	993,196	622,341	

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

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

	2015 HK$'000	2014 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**4,049,806**	4,006,185
Less: Progress billings	**(3,350,039)**	(3,304,393)
	699,767	701,792
Analysed for reporting purposes as:		
Amounts due from contract customers included in current assets	**798,629**	805,383
Amounts due to contract customers included in current liabilities	**(98,862)**	(103,591)
	699,767	701,792

As at 31 December 2015, retentions of HK$145,318,000 (2014: HK$95,348,000) held by customers for contract work were included in trade receivables.

As at 31 December 2015, advances of HK$39,986,000 (2014: HK$11,692,000) 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 2015

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

	notes	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Trade receivables				
Fully performing	(a)	**669,600**	644,297	590,947
Past due but not impaired	(b)	**203,607**	190,017	209,663
Impaired	(c)	**129,371**	145,929	155,723
Trade receivables — gross		**1,002,578**	980,243	956,333
Less: allowance for impairment	(c)	**(129,371)**	(145,929)	(155,723)
Trade receivables — net		**873,207**	834,314	800,610
Notes receivables		**205,055**	309,410	310,903
	(d)	**1,078,262**	1,143,724	1,111,513
Other receivables, deposits and prepayments				
Consideration receivable for disposal of a subsidiary		**—**	—	37,975
Entrusted loan	(e)	**23,866**	25,316	25,316
Compensation receivable	(f)	**91,505**	98,045	148,678
Others		**251,650**	237,199	323,950
		367,021	360,560	535,919

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; (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (iii) 30 to 180 days are granted to customers in the pharmaceutical segment. No credit terms are granted to customers in the utilities segment. Receivables classified as fully performing are trade receivables with no history of default payment.

As at 31 December 2015, the government supplemental income from the TEDA Finance Bureau as disclosed in Note 5 were fully received (2014: fully received). 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 2015

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

notes: (Cont'd)

(b) Trade receivables that are past due but not impaired are 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:

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Within 30 days	**22,871**	28,813	44,749
31 to 90 days	**7,102**	7,211	17,649
91 to 180 days	**122**	6,479	7,568
181 to 365 days	**394**	832	632
Over 1 year	**173,118**	146,682	139,065
	203,607	190,017	209,663

(c) As at 31 December 2015, trade receivables of HK$129,371,000 (2014: HK$145,929,000, restated) 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:

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Within 30 days	**9**	—	—
31 to 90 days	**3**	—	17
91 to 180 days	**19**	56	44
Over 180 days	**129,340**	145,873	155,662
	129,371	145,929	155,723

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

	2015 HK$'000	2014 HK$'000 (restated)
At 1 January, originally stated	**126,203**	132,505
Effect of application of merger accounting	**19,726**	23,218
At 1 January, restated	**145,929**	155,723
Exchange differences	**(8,001)**	(25)
Allowance made in the year	**12,373**	6,626
Reversal of allowance	**(20,930)**	(13,331)
Written off as uncollectible	**—**	(3,064)
At 31 December	**129,371**	145,929

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 2015

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

notes: (Cont'd)

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

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Within 30 days	**459,189**	454,126	484,385
31 to 90 days	**103,358**	153,262	147,005
91 to 180 days	**167,009**	262,017	224,578
181 to 365 days	**168,024**	123,246	114,735
Over 1 year (note (g))	**180,682**	151,073	140,810
	1,078,262	1,143,724	1,111,513

(e) The amount represented an entrusted loan to one government-related borrower in the PRC through 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 (2014: 6% per annum).

(f) The amount represented the compensation receivables from the local government in respect of a relocation of production plant and transferal of the ownership of land use rights and certain immovable property, plant and equipment pursuant to a local government's urban redevelopment plan in 2013. The compensation is settled by instalments.

(g) As at 31 December 2015, the amounts included retentions held by customers for contract work of HK$145,318,000 (2014: HK$95,348,000).

(h) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000	At 1 January 2014 HK$'000
Investments held for trading:			
Listed shares in Hong Kong	**5,359**	5,359	5,359
Listed shares in the PRC	**16,672**	24,747	7,443
Unlisted funds in the PRC	**97,208**	251,028	591,420
Unlisted bonds in the PRC	**12,292**	326,607	50,509
	131,531	607,741	654,731
Financial asset at fair value through profit or loss:			
Profit Guarantee Arrangement	**54,576**	—	—
	186,107	607,741	654,731
Market values of listed shares	**22,031**	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. The fair value of the Profit Guarantee Arrangement is determined by valuation technique as disclosed in Note 3.

The fair value of the Profit Guarantee Arrangement was HK$54,576,000 as at 31 December 2015.

28. ENTRUSTED DEPOSITS

As at 31 December 2015, the entrusted deposits were placed with six financial institutions (2014 restated: five financial institutions) in the PRC with maturity from 1 to 21 months (2014: 1 to 20 months) after the end of the reporting period. The deposits carry variable rates of return ranging from 3.1% to 9.0% (2014: 3.8% 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Cash at banks and in hand	**3,467,160**	3,899,514	3,960,131
Time deposits in banks with maturity less than three months	**1,527,803**	2,566,583	1,356,589
Balances with other financial institutions	**2,487**	1,557	1,660
Cash and cash equivalents	**4,997,450**	6,467,654	5,318,380
Time deposits in banks with maturity over three months	**1,471,241**	1,160,260	1,461,154
Restricted bank balances (note)	**125,065**	279,474	212,250
	6,593,756	7,907,388	6,991,784

note: The restricted bank balances are pledged against the notes payables and short-term 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. SHARE CAPITAL

	Number of shares Thousand	Value HK$'000
Issued and fully paid:		
At 1 January 2014		
— ordinary shares of 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 (i))	—	5,004,487
At 31 December 2014	**1,067,470**	**5,111,234**
Exercise of share options (note (ii))	**5,300**	**25,051**
At 31 December 2015		
— ordinary shares with no par value	**1,072,770**	**5,136,285**

notes:

(i) 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.

(ii) During the year ended 31 December 2015, the Company issued 5,300,000 shares to the option holders who exercised their share options under the Option Scheme (defined in Note 31). These new shares rank pari passu in all respects with other shares in issue.

31. SHARE OPTION SCHEME

The Company has adopted an equity-settled share option scheme (the "Option Scheme") on 25 May 2007 under which the directors may, at their discretion and within 10 years from the approval date, offer to grant options to the participants pursuant to the criteria set out in the Option Scheme. The Company operates the Option Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time. The subscription price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet (the "Daily Quotation") on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Daily Quotation for the five business days immediately preceding the date of grant; and (iii) value of HK$0.10 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 2015

31. 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 2014**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Balance at 31 December 2014**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Balance at 31 December 2015**
19 December 2007	17 January 2008 to 24 May 2017	8.040	3,500,000	–	–	(2,200,000)	1,300,000	**–**	**–**	**(300,000)**	**1,000,000**
16 December 2009	16 December 2009 to 24 May 2017	5.750	9,200,000	–	–	(5,700,000)	3,500,000	**–**	**–**	**(500,000)**	**3,000,000**
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	15,300,000	–	–	(7,900,000)	7,400,000	**–**	**(2,600,000)**	**(300,000)**	**4,500,000**
19 December 2012	19 December 2012 to 24 May 2017	4.060	18,800,000	–	–	(10,900,000)	7,900,000	**–**	**(2,600,000)**	**(300,000)**	**5,000,000**
20 December 2013	20 December 2013 to 24 May 2017	5.532	13,750,000	–	–	(5,450,000)	8,300,000	**–**	**(100,000)**	**(200,000)**	**8,000,000**
			60,850,000	–	–	(32,150,000)	28,700,000	**–**	**(5,300,000)**	**(1,600,000)**	**21,800,000**

Of the outstanding share options at 31 December 2015, 18,500,000 share options (2014: 25,400,000 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. RESERVES

THE GROUP

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000 note (i)	Statutory reserves HK$'000 note (i)	Share-based payments reserve HK$'000	Other reserves HK$'000 note (ii)	Exchange reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000 note (iii)	Retained earnings HK$'000 note (iv)	Total HK$'000
At 1 January 2014, originally stated	9,010	5,004,487	92,021	359,850	80,599	359,942	1,636,768	205,548	3,171,781	10,920,006
Effect of application of merger accounting	—	—	—	149,101	—	(1,916,962)	32,441	10,124	724,086	(1,001,210)
At 1 January 2014, restated	9,010	5,004,487	92,021	508,951	80,599	(1,557,020)	1,669,209	215,672	3,895,867	9,918,796
Profit for the year, restated	—	—	—	—	—	—	—	—	737,009	737,009
Other comprehensive expense for the year, restated	—	—	(42)	—	—	—	(161,698)	(15,169)	—	(176,909)
Dividends, restated	—	—	—	—	—	—	—	—	(163,155)	(163,155)
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, restated	—	—	3,575	78,565	—	—	—	—	(81,002)	1,138
Transfer upon lapse of share options	—	—	—	—	(38,239)	—	—	—	38,239	—
Transfer upon disposal of an associate	—	—	—	—	(6,390)	—	—	—	6,390	—
At 31 December 2014 and at 1 January 2015, restated	**9,010**	**—**	**95,554**	**587,516**	**36,773**	**(1,557,020)**	**1,507,511**	**200,503**	**4,433,348**	**5,313,195**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**562,351**	**562,351**
Other comprehensive expense for the year	**—**	**—**	**(5,587)**	**—**	**—**	**—**	**(632,850)**	**(81,770)**	**—**	**(720,207)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(109,208)**	**(109,208)**
Share-based payments of an associate	**—**	**—**	**—**	**—**	**66**	**—**	**—**	**—**	**—**	**66**
Transfer between reserves	**—**	**—**	**3,363**	**68,848**	**—**	**—**	**—**	**—**	**(71,105)**	**1,106**
Exercise of share options	**—**	**—**	**—**	**—**	**(4,695)**	**—**	**—**	**—**	**—**	**(4,695)**
Transfer upon lapse of share options	**—**	**—**	**—**	**—**	**(2,585)**	**—**	**—**	**—**	**2,585**	**—**
At 31 December 2015	**9,010**	**—**	**93,330**	**656,364**	**29,559**	**(1,557,020)**	**874,661**	**118,733**	**4,817,971**	**5,042,608**

notes:

(i) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. RESERVES (Cont'd)

THE GROUP (Cont'd)

notes: (Cont'd)

(ii) Other reserves as at 1 January 2014 mainly represented reserves arising from Thrive Leap Group's reorganisation in prior years and the merger reserve arising from acquisition of Thrive Leap, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap.

(iii) 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.

(iv) Retained earnings attributable to associates and accumulated losses attributable to joint ventures amounted to HK$1,174,600,000 (2014: HK$1,055,214,000, restated) and HK$119,161,000 (2014: HK$107,564,000) respectively.

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 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 and at 1 January 2015	**—**	**33,896**	**1,773,424**	**898,925**	**2,706,245**
Profit for the year	**—**	**—**	**—**	**12,950**	**12,950**
Other comprehensive expense for the year	**—**	**—**	**(444,714)**	**—**	**(444,714)**
Exercise of share options	**—**	**(4,695)**	**—**	**—**	**(4,695)**
Dividends	**—**	**—**	**—**	**(109,208)**	**(109,208)**
Transfer upon lapse of share options	**—**	**(2,585)**	**—**	**2,585**	**—**
At 31 December 2015	**—**	**26,616**	**1,328,710**	**805,252**	**2,160,578**

At 31 December 2015, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$805,252,000 (2014: HK$898,925,000).

Notes to the Consolidated Financial Statements

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33. DEFINED BENEFIT OBLIGATIONS

The Group provides supplementary pension benefits to certain retired employees, which are accounted for as defined benefit plans. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2015. The present value of the defined benefit obligations, the related current service cost and past service cost, are measured using the projected unit credit method. Significant actuarial assumptions for the determination of the defined obligations are discount rate and mortality. The Group expects to make a payment of HK$3,276,000 to the entitled employees during the year ending 31 December 2016.

34. DEFERRED INCOME

As set out in Note 2, the Group acquired 67% of the equity interest in Thrive Leap from Tsinlien during the current year and one key principal activity of Thrive Leap Group is the provision of pharmaceutical research and development services in the PRC. In the ordinary course of such business, government subsidies will be received in advance from the local government for the purpose of supporting the research and development activities on certain new pharmaceutical products, and are presented as deferred income in the Group's consolidated statement of financial position.

The amount of deferred income will be recognised in the same period as the related research and development activities are carried out and expenses are incurred or will be deducted from the carrying amount of the depreciable assets when the relevant assets for research and development activities are acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its equipment under finance leases. The lease term is 3 years. Interest rate is fixed at 6% per annum on contract date.

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**15,178**	20,704	**14,221**	19,000
In the second to third year inclusive	**3,672**	19,995	**3,641**	19,116
	18,850	40,699	**17,862**	38,116
Less: Future finance charges	**(988)**	(2,583)	**—**	—
Present value of lease obligations	**17,862**	38,116	**17,862**	38,116
Less: Amount due for settlement within one year shown under current liabilities			**(14,221)**	(19,000)
Amount due for settlement after one year			**3,641**	19,116

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. BANK BORROWINGS

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Non-current			
Bank borrowings			
— Secured	**23,948**	—	34,177
— Unsecured	**59,666**	2,645,875	120,235
	83,614	2,645,875	154,412
Current			
Short term bank borrowings			
— Unsecured	**2,974,892**	279,814	2,145,068
— Secured	**—**	72,152	143,374
	2,974,892	351,966	2,288,442
Total borrowings	**3,058,506**	2,997,841	2,442,854

notes:

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

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Bank borrowings:			
Within one year	**2,974,892**	351,966	2,288,442
In the second year	**23,866**	2,582,584	52,308
More than two years but not more than five years	**59,748**	63,291	89,445
Over five years	**—**	—	12,659
	3,058,506	2,997,841	2,442,854

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. BANK BORROWINGS (Cont'd)

notes: (Cont'd)

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

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Bank borrowings:			
US dollar	**—**	37,975	—
Renminbi	**517,856**	429,416	443,354
Hong Kong dollar	**2,540,650**	2,530,450	1,999,500
	3,058,506	2,997,841	2,442,854

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

	2015 %	2014 % (restated)
Bank borrowings:		
US dollar	**N/A**	1.31%
Renminbi	**4.04%**	5.17%
Hong Kong dollar	**2.17%**	2.17%

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. DEFERRED TAXATION

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Deferred tax assets	**97,100**	102,174	112,446
Deferred tax liabilities	**(44,053)**	(47,786)	(49,637)
Deferred tax assets, net	**53,047**	54,388	62,809

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.

(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$542,180,000 (2014: HK$425,789,000) 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 2014, originally stated	(9,566)	(6,475)	36,761	76,205	(40,371)	(3,322)	53,232
Effect of application of merger accounting	6,822	—	3,908	—	—	(1,153)	9,577
At 1 January 2014, restated	(2,744)	(6,475)	40,669	76,205	(40,371)	(4,475)	62,809
Deferred tax (charged) credited to profit or loss	(4,265)	—	(2,871)	(5,390)	3,059	2,270	(7,197)
Deferred tax charged to other comprehensive income	—	—	—	—	—	(1,213)	(1,213)
Exchange differences	(14)	—	(8)	—	8	3	(11)
At 31 December 2014 and at 1 January 2015, restated	**(7,023)**	**(6,475)**	**37,790**	**70,815**	**(37,304)**	**(3,415)**	**54,388**
Deferred tax (charged) credited to profit or loss	**1,738**	**—**	**507**	**(4,135)**	**2,087**	**(209)**	**(12)**
Deferred tax charged to other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(1,047)**	**(1,047)**
Exchange differences	**(765)**	**371**	**(2,186)**	**—**	**2,050**	**248**	**(282)**
At 31 December 2015	**(6,050)**	**(6,104)**	**36,111**	**66,680**	**(33,167)**	**(4,423)**	**53,047**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. TRADE PAYABLES AND NOTES PAYABLES

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

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Within 30 days	**327,420**	392,664	337,251
31 to 90 days	**335,203**	362,537	294,037
91 to 180 days	**318,446**	434,534	469,640
Over 180 days	**369,706**	312,461	242,475
	1,350,775	1,502,196	1,343,403

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

39. OTHER PAYABLES AND ACCRUALS

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Receipts in advance	**893,687**	874,996	530,933
Accruals	**651,938**	552,194	775,522
Other payables	**856,690**	642,045	477,222
Consideration payable (note)	**1,046,974**	2,772,483	2,772,483
	3,449,289	4,841,718	4,556,160

note: The amount represents the outstanding Consideration payable on the acquisition of 67% equity interest in Thrive Leap (Note 2).

40. GAIN ON DISPOSAL OF AN ASSOCIATE

On 25 June 2014, the Company completed the disposal of its entire equity interest in Famous Ever Group Limited, which owns 44.7% equity interest in Dynasty Fine Wines Group Limited ("Dynasty Fine Wines"), to Tsinlien at a cash consideration of HK$890,000,000 (the "Disposal") and recognised a gain of HK$235,368,000 (the "Disposal Gain"). Details of the Disposal are set out in the announcement and the circular of the Company dated 5 May 2014 and 27 May 2014, respectively.

There was no similar transaction for the year ended 31 December 2015. As mentioned in the Company's 2014 annual report, there were limitations on the equity accounting for investment in Dynasty Fine Wines and determination of the Disposal Gain in the light of the circumstances of Dynasty Fine Wines. In the opinion of the directors, any adjustments on the Disposal Gain would not affect the overall comparability of the current and corresponding figures in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. OPERATING LEASES

The Group as lessees

	2015 HK$'000	2014 HK$'000
Land and buildings		
Not later than one year	**3,777**	7,239
Later than one year and not later than five years	**—**	4,059
	3,777	11,298
Plants, pipelines and networks		
Not later than one year	**—**	2,183
	3,777	13,481

The Group as lessors

	2015 HK$'000	2014 HK$'000
Investment properties		
Not later than one year	**5,131**	8,419
Later than one year and not later than five years	**9,835**	13,204
	14,966	21,623

42. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000 (restated)
Contracted but not provided for in respect of		
— Property, plant and equipment	**395,119**	756,184

43. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances and land use rights of HK$125,065,000 (2014: HK$279,474,000, restated) and HK$65,752,000 (2014: HK$31,872,000, restated), respectively were pledged to financial institutions by the Group to secure general banking facilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2015 HK$'000	2014 HK$'000 (restated)
Profit before tax	**774,742**	1,000,237
Adjustments for:		
Share of profit of associates	**(690,714)**	(703,388)
Share of loss of joint ventures	**11,597**	13,345
Finance costs	**67,650**	67,603
Interest income	**(243,045)**	(269,713)
(Reversal of allowance) allowance for inventories	**(2,472)**	4,430
Depreciation	**216,720**	229,289
Amortisation	**43,906**	24,999
Impairment loss on goodwill	**108,398**	51,009
Impairment on available-for-sale financial assets	**5,017**	—
Impairment on property, plant and equipment	**14,038**	593
Gain on deregistration/disposal of subsidiaries	**—**	(2,324)
Gain on fair value change of an investment property	**—**	(15,697)
Gain on disposal of an associate	**—**	(235,368)
Net exchange loss	**32,911**	6,590
Dividend income from available-for-sale financial assets	**(14,932)**	(4,559)
Net loss on disposal/written off of property, plant and equipment/land use rights	**11,119**	37,984
Reversal of allowance for trade receivables	**(8,557)**	(6,705)
Unrealised gain on financial assets at fair value through profit or loss	**(55,438)**	(6,427)
Changes in working capital:		
Inventories	**45,324**	(79,112)
Trade receivables	**(78,125)**	(26,914)
Notes receivables	**86,632**	1,490
Other receivables, deposits and prepayments	**(15,370)**	61,787
Financial assets at fair value through profit or loss	**461,820**	53,299
Trade payables	**129,537**	137,611
Note payables	**(194,913)**	20,780
Other payables and accruals	**386,245**	303,993
Defined benefit obligations	**(3,022)**	(1,149)
Deferred income	**5,812**	1,219
Amount due from ultimate holding company	**509**	(403)
Amounts due from/to related companies	**(49,496)**	48,385
Amounts due from/to customers for contract work	**(38,173)**	(93,309)
Net cash generated from operations	**1,007,720**	619,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

45. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Connected persons

Other than the acquisition of Thrive Leap as disclosed in Note 2, the Group has entered into connected continuing transactions during the year as follows:

On 21 December 2015, the Company entered into a master sales agreement (the "Master Sales Agreement") with Tianjin Pharmaceutical in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products (the "Products") by the Group to the Tianjin Pharmaceutical and its subsidiaries (the "Tianjin Pharmaceutical Group") for a term commencing from 21 December 2015 and up to 30 April 2016 not exceeding an aggregate amount of RMB103,350,000 (equivalent to approximately HK$129,200,000). As Tianjin Pharmaceutical is an intermediate controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules, therefore the entering into of the Master Sales Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules. For the year ended 31 December 2015, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was HK$18,518,000.

Details of the above transactions were disclosed in the Company's announcement dated 21 December 2015.

(b) Related parties

The Group is controlled by Tsinlien, which owned 62.80% (2014: 63.07%) of the Company's shares as at 31 December 2015. The remaining 37.20% (2014: 36.93%) 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 "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 2015 and 2014, 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 and sales of pharmaceutical products which constituted the majority of the Group's purchases and sales). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

45. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(b) Related parties (Cont'd)

Apart from the above-mentioned transactions with the government-related entities, the connected transactions and the related party transactions and balances during the year ended 31 December 2015 set out in Notes 7, 23, 24 and 40, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

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

	2015 HK$'000	2014 HK$'000 (restated)
Operating lease expenses for land	**4,183**	3,894
Operating lease expenses for plants, pipelines and networks	**148,137**	154,942
Provision of service	**16,400**	—
Purchase of goods	**36,228**	37,888
Purchase of materials	**11,957**	13,299
Purchase of steam for sale	**702,784**	797,172
Purchase of property, plant and equipment	**642**	5,736
Sales of goods	**205,164**	265,606

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 24.

(ii) Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries and other emoluments	**15,001**	19,296

Notes to the Consolidated Financial Statements

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46. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2015 are set out below:

Name	Principal activities	Registered capital/issued and paid up capital	Percentage: Effective interest attributable to the Group %	Percentage: Held by the Company %	Percentage: Held by subsidiaries %
Established and operating in the PRC					
Tianjin Lisheng Pharmaceutical Co., Ltd ("Lisheng") 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs	RMB182,454,992	**34.41**	**–**	**51.36**
Tianjin Yiyao Printing Co., Ltd 天津宜藥印務有限公司	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	RMB39,450,000	**43.55**	**–**	**65**
Tianjin Institute of Pharmaceutical Research Co., Ltd. 天津藥物研究院有限公司	Investment holding and research and development of new medicine technology and new products	RMB38,991,486	**67**	**–**	**100**
Tianjin Heavenly Palace Winery Co., Ltd. 天津天宮葡萄釀酒有限公司	Investment holding	RMB80,018,400	**100**	**100**	**–**
Tianjin Tai Kang Investment Co., Ltd. ("Tianjin Tai Kang") 天津泰康投資有限公司	Investment holding	RMB1,030,269,383	**82.74**	**82.74**	**–**
Tianjin Development Assets Management Co., Ltd. 天津發展資產管理有限公司	Investment holding	RMB838,239,651	**100**	**100**	**–**
Tianjin TEDA Tsinlien Electric Power Co., Ltd. 天津泰達津聯電力有限公司	Supply of electricity	RMB314,342,450	**94.36**	**–**	**94.36**
Tianjin TEDA Tsinlien Water Supply Co., Ltd. 天津泰達津聯自來水有限公司	Supply of water	RMB163,512,339	**91.41**	**–**	**91.41**
Tianjin TEDA Tsinlien Heat & Power Co., Ltd. 天津泰達津聯熱電有限公司	Supply of steam and thermal power	RMB262,948,258	**90.94**	**–**	**90.94**
Tianjin Tianduan Press Co., Ltd. 天津市天鍛壓力機有限公司	Manufacture and sale of presses and mechanical equipment	RMB160,776,070	**64.91**	**–**	**78.45**
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment") 天津市天發重型水電設備製造有限公司	Manufacture and sale of hydroelectric equipment and large scale pump unit	RMB413,397,627	**82.74**	**–**	**100**
Incorporated in the Cayman Islands and operating in Hong Kong					
Thrive Leap	Investment holding	US$10,000	**67**	**67**	**–**
Incorporated 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**	**–**
Incorporated and operating in Hong Kong					
Tsinlien Realty Limited 津聯置業有限公司	Operation of Courtyard by Marriott Hong Kong	HK$200,000	**100**	**–**	**100**
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK$15	**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. All English names of subsidiaries established in the PRC are included for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

46. PRINCIPAL SUBSIDIARIES (Cont'd)

Composition of the Group

At the end of the reporting period, the Company has 29 (2014: 25) other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong.

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

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Tianjin Tai Kang	The PRC	**17.26%**	17.26%	**26,838**	65,501	**781,554**	771,758
Thrive Leap Group	Hong Kong	**33%**	33%	**108,140**	85,977	**2,735,932**	2,820,244
Other individually immaterial subsidiaries with non-controlling interests				**5,880**	15,631	**85,821**	86,000
				140,858	167,109	**3,603,307**	3,678,002

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

Notes to the Consolidated Financial Statements

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46. PRINCIPAL SUBSIDIARIES (Cont'd)

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

Tianjin Tai Kang

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Current assets	**2,470,740**	2,636,225
Non-current assets	**2,648,239**	2,617,570
Current liabilities	**(2,049,725)**	(2,270,721)
Non-current liabilities	**(36,809)**	(54,715)
Equity attributable to owners of the Company	**2,250,891**	2,156,601
Non-controlling interests	**781,554**	771,758

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**1,032,779**	1,273,437
Share of profit of associates	**557,790**	527,576
Profit for the year	**254,150**	333,358
Other comprehensive (expense) income for the year	**(133,022)**	843
Total comprehensive income for the year	**121,128**	334,201
Profit for the year attributable to non-controlling interests	**26,838**	65,501
Total comprehensive income for the year attributable to non-controlling interests	**3,878**	65,666
Prior years' dividends paid during the year	**(110,333)**	(120,684)
Net cash (outflow) inflow from operating activities	**(168,766)**	64,980
Net cash inflow (outflow) from investing activities	**90,580**	(482,279)
Net cash (outflow) inflow from financing activities	**(65,296)**	85,772
Net cash outflow	**(143,482)**	(331,527)

Notes to the Consolidated Financial Statements

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46. PRINCIPAL SUBSIDIARIES (Cont'd)

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

Thrive Leap Group

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Current assets	**2,393,770**	2,670,836
Non-current assets	**3,249,920**	2,998,552
Current liabilities	**(956,271)**	(812,904)
Non-current liabilities	**(250,522)**	(280,100)
Equity attributable to owners of the Company	**1,700,965**	1,756,140
Non-controlling interests	**2,735,932**	2,820,244

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**1,526,891**	1,490,843
Share of (loss) profit of associates	**(675)**	2,444
Profit for the year	**159,668**	114,341
Other comprehensive (expense) income for the year	**(270,143)**	6,779
Total comprehensive (expense) income for the year	**(110,475)**	121,120
Profit for the year attributable to non-controlling interests of Thrive Leap Group	**108,140**	85,977
Total comprehensive (expense) income for the year attributable to non-controlling interests	**(162,400)**	3,866
Prior years' dividends paid during the year	**(33,480)**	(138,756)
Net cash inflow from operating activities	**421,626**	216,489
Net cash outflow from investing activities	**(527,399)**	(213,960)
Net cash outflow from financing activities	**(34,786)**	(4,162)
Net cash outflow	**(140,559)**	(1,633)

Notes to the Consolidated Financial Statements

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46. PRINCIPAL SUBSIDIARIES (Cont'd)

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

Additional information to Thrive Leap Group:

Lisheng and its subsidiaries (consolidated in Thrive Leap Group)

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Current assets	**1,733,592**	1,968,491
Non-current assets	**2,235,117**	2,124,371
Current liabilities	**(349,663)**	(313,372)
Non-current liabilities	**(65,296)**	(96,041)
Equity attributable to owners of Thrive Leap	**1,825,206**	1,891,819
Non-controlling interests	**1,728,544**	1,791,630

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**965,107**	976,923
Share of profit of associates	**851**	5,338
Profit for the year	**155,206**	117,281
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**155,206**	117,281
Profit for the year attributable to non-controlling interests of Lisheng	**75,492**	56,834
Total comprehensive income for the year attributable to non-controlling interests	**75,492**	56,834
Prior years' dividends paid during the year	**(35,336)**	(68,499)
Net cash inflow from operating activities	**304,810**	91,442
Net cash outflow from investing activities	**(275,995)**	(350,785)
Net cash outflow from financing activities	**(80,556)**	(171,377)
Net cash outflow	**(51,741)**	(430,720)

Notes to the Consolidated Financial Statements

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47. PRINCIPAL ASSOCIATES

Name	Principal activities	Registered capital/issued and paid up capital	Percentage: Effective interest attributable to the Group %	Percentage: Held by the Company %	Percentage: Held by subsidiaries %
Established and operating in the PRC					
Otis Elevator (China) Investment Company Limited ("Otis China") 奧的斯電梯（中國）投資有限公司	Manufacturing and selling of elevators and escalators	US$79,625,000	**16.55**	–	20
Liaoning Wunushan Milan Winery Co., Ltd. 遼寧五女山米蘭酒業有限公司	Brewing and processing of wine and ice wine products	RMB20,000,000	**25**	–	25
Benefo Financial Leasing Co., Ltd. 百利融資租賃有限公司	Operation of finance leasing business	RMB300,000,000	**40**	–	40
Incorporated in the Cayman Islands, operating in and listed in Hong Kong					
Tianjin Port Development Holdings Limited ("Tianjin Port") 天津港發展控股有限公司	Provision of port services	HK$615,800,000	**21**	–	21

note: All English names of associates established in the PRC are included for identification purpose only.

48. PRINCIPAL JOINT VENTURES

Name	Principal activities	Registered capital/issued and paid up capital	Percentage: Effective interest attributable to the Group %	Percentage: Held by the Company %	Percentage: Held by subsidiaries %
Established and operating in the PRC					
Tianjin Haihe Dairy Company Limited 天津海河乳業有限公司	Production and sale of dairy products	RMB200,000,000	**40**	–	40
Liaoning Wunushan Icewine Co., Ltd. ("Wunushan Icewine") 遼寧五女山冰酒莊有限公司	Operation of hospitality business	RMB98,250,000	**56**	–	56

note: All English names of joint ventures established in the PRC are included for identification purpose only.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 30 March 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2015 HK$'000**	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**532**	935
Investment properties		**106,427**	112,894
Interests in subsidiaries		**4,296,993**	4,558,077
Advances to subsidiaries		**6,398,022**	5,014,493
		10,801,974	9,686,399
Current assets			
Amount due from ultimate holding company		**204**	756
Other receivables, deposits and prepayments		**9,639**	20,589
Entrusted deposits		**132,341**	940,382
Cash and cash equivalents		**1,012,247**	1,910,354
		1,154,431	2,872,081
Total assets		**11,956,405**	12,558,480
EQUITY			
Owners of the Company			
Share capital		**5,136,286**	5,111,234
Reserves	32	**2,160,578**	2,706,245
Total equity		**7,296,864**	7,817,479
LIABILITIES			
Non-current liabilities			
Bank borrowings		**—**	2,530,450
Amounts due to subsidiaries		**1,966,698**	2,040,646
		1,966,698	4,571,096
Current liabilities			
Accruals		**152,193**	169,905
Bank borrowings		**2,540,650**	—
		2,692,843	169,905
Total liabilities		**4,659,541**	4,741,001
Total equity and liabilities		**11,956,405**	12,558,480
Net current (liabilities) assets		**(1,538,412)**	2,702,176
Total assets less current liabilities		**9,263,562**	12,388,575

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on its behalf by:

Zeng Xiaoping	**Wang Zhiyong**
Director	*Director*

Financial Summary

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000 (restated)	**2015** **HK$'000**
Results					
Revenue	3,517,032	3,890,394	4,952,429	6,813,647	**6,368,910**
Operating profit less finance costs	14,822	86,059	290,304	310,194	**95,625**
Share of profit (loss) of:					
Associates	603,451	458,535	556,263	703,388	**690,714**
Joint ventures	(1,088)	501	(3,107)	(13,345)	**(11,597)**
Profit before tax	617,185	545,095	843,460	1,000,237	**774,742**
Tax expense	(109,662)	(58,375)	(68,602)	(96,119)	**(71,533)**
Profit for the year	507,523	486,720	774,858	904,118	**703,209**
Attributable to:					
Owners of the Company	437,195	413,094	704,353	737,009	**562,351**
Non-controlling interests	70,328	73,626	70,505	167,109	**140,858**
	507,523	486,720	774,858	904,118	**703,209**
Dividends	—	—	—	163,155	**109,208**
Assets and liabilities					
Total assets	14,431,733	17,587,863	17,606,659	24,980,733	**23,013,422**
Total liabilities	4,249,728	6,682,075	5,802,119	10,878,302	**9,231,222**
Total equity	10,182,005	10,905,788	11,804,540	14,102,431	**13,782,200**

Note: The results for each of the two years ended 31 December 2014 and 2015 and the assets and liabilities as of 31 December 2014 and 2015 have been adjusted for the inclusion of Thrive Leap Group using merger accounting (see Note 2 to the consolidated financial statements).