天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Annual Report

2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zhiyong *(Chairman)*
Mr. Chen Yanhua *(General Manager)*
Dr. Li Xiaoguang
Mr. Zhuang Qifei
Mr. Cui Xiaofei

Non-Executive Director

Mr. Cheung Wing Yui, Edward

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

AUTHORISED REPRESENTATIVES

Mr. Wang Zhiyong
Dr. Li Xiaoguang

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

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

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Website : www.tianjindev.com

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 882

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited
CMB Wing Lung Bank Limited

Tianjin Development Holdings Limited

Utilities

Water
Heat and Thermal Power
Electricity

Pharmaceutical

Lisheng (002393.SZ)
Yiyao Printing
Research Institute

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 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
Tianjin TEDA Electric Power Co., Ltd.	47.09%	Distribution of electricity in TEDA

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
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
Tianjin Institute of Pharmaceutical Research Co., Ltd.	23.45%	Research and development of new medicine technology and new products

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

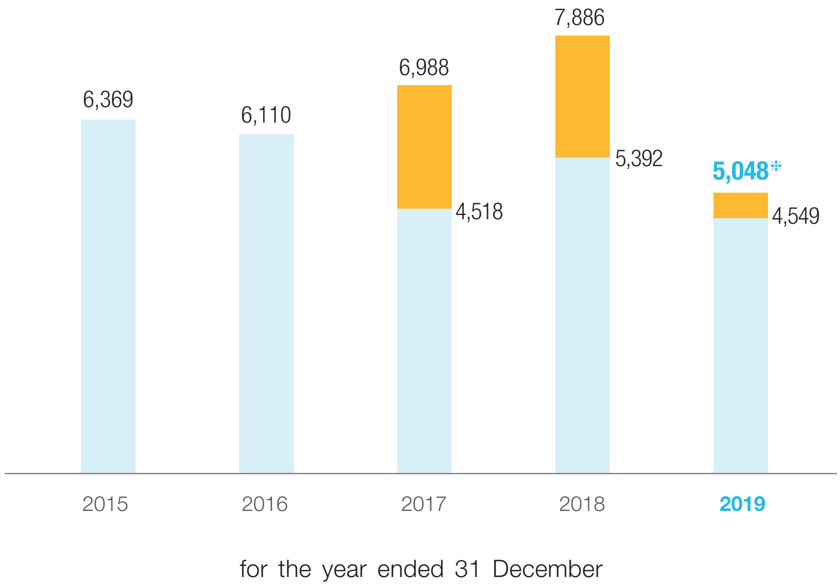
STRATEGIC AND OTHER INVESTMENTS

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.

Revenue

HK$ million

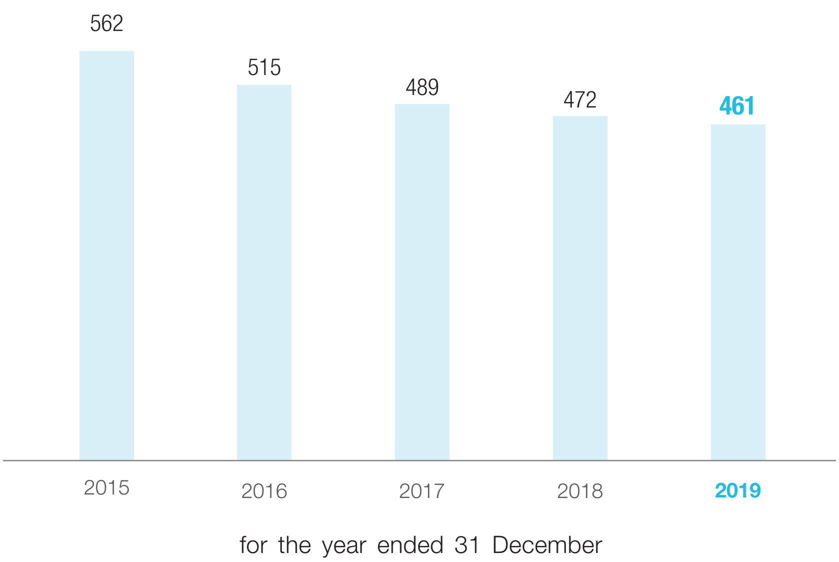


⁜ The electricity business ceased being a subsidiary of the Group in April 2019 and become an investment accounted for using the equity method.

■ Result of the electricity business is separately presented from the continuing operations. The results prior to 2017 have not been restated.

Profit Attributable to Owners of the Company

HK$ million



Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

For the year ended 31 December

Revenue

	2019 HK$ million	2018 HK$ million	Changes %
Utilities (note 1)	**1,413**	1,444	(2.1)
Pharmaceutical (note 2)	**1,903**	2,575	(26.1)
Hotel	**106**	128	(17.2)
Electrical and mechanical	**1,127**	1,245	(9.5)
	4,549	5,392	(15.6)
Electricity business (note 1)	**499**	2,494	(80.0)
	5,048	7,886	(36.0)

Profit (Loss) Attributable to Owners of the Company

	2019 HK$ million	2018 HK$ million	Changes HK$ million
Utilities (note 1)	**65**	63	2
Pharmaceutical (note 2)	**80**	490	(410)
Hotel	**14**	28	(14)
Electrical and mechanical	**(85)**	(123)	38
Port services (note 3)	**82**	(210)	292
Elevators and escalators	**219**	200	19
Corporate and others	**(49)**	(55)	6
	326	393	(67)
Electricity business (note 1)	**135**	79	56
	461	472	(11)

note:

1. Both revenue and profit attributable to owners of the Company in respect of electricity business are separately presented from the continuing operations since the merger of electricity business has been completed in April 2019, and the Group's equity interest in TEDA Power is reduced to 47.09%.

2. Pharmaceutical in 2018 included both revenue of Research Institute and a gain on disposal of partial equity interest in Research Institute.

3. Impairment loss on the Group's equity interest in Tianjin Port had been recognised for the year ended 31 December 2018.

Mr. Wang Zhiyong
Chairman and Executive Director

PROFIT AND DIVIDEND FOR THE YEAR 2019

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2019 was approximately HK$461.4 million, as compared to HK$471.9 million of last year. The Board recommends payment of a final dividend of HK4.78 cents per share for the year ended 31 December 2019. This final dividend together with the interim dividend of HK3.26 cents per share already paid, will make a total of HK8.04 cents per share for the full year of 2019 (2018: HK8.04 cents per share).

BUSINESS OVERVIEW

During the year, the Company's various business segments have maintained steady development and attained the expected performance. During the year, the Company actively responded to the opportunities and challenges arising from the electric power system reform in the PRC and completed the absorption and merger of Tianjin TEDA Tsinlien Electric Power Co., Ltd. and Tianjin TEDA Electric Power Co., Ltd., which will help to promote the advantages of electricity business integration and economies of scale.

The utility sector was stable and achieved the expected results. Along with the high-quality development of innovation and upgrades in the Tianjin Economic and Technological Development Area ("TEDA"), the utility sector will see further development.

The pharmaceutical sector continued to progress as planned and reported an annual revenue of approximately HK$1,903 million and a profit of approximately HK$228 million. During the year, Lisheng Pharmaceutical had commenced the construction of the production base of bulk pharmaceuticals in the East Lingang Economic and Technological Development Area in Cangzhou, Hebei Province with a site area of approximately 70,000 square metres. The first phase of construction consists of integrated production workshops and a quality inspection building conforming to new Good Manufacturing Practice standards. Upon the completion of construction, it is expected that the bulk pharmaceutical production lines will be optimised with upgraded technologies, which will help to enhance the economic benefits and further improve the safety and environmental protection performance of the bulk pharmaceuticals production. During the year, Shoubishan, being the flagship brand of Lisheng Pharmaceutical, was granted the "China Top Pharmaceutical Brands 2019 — Up-rising Award (2019 中國醫藥品牌榜 • 鋭榜)" in the China Pharmaceutical and

Economic Information Press Conference (全國醫藥經濟信息發佈會), while its anti-infectious drug Xifuni was granted the "China Top Pharmaceutical Brands 2019 — Hospital End Market Award (2019中國醫藥品牌榜•醫院終端)". Both awards not only affirmed the quality of Lisheng Pharmaceutical's products by the pharmaceutical industry, but also demonstrated that Lisheng Pharmaceutical was highly recognised by the medical terminals.

The operation of Courtyard by Marriott Hong Kong faced with a more difficult operating environment due to the slowdown of visitor arrivals in the second half of the year. The average room rate declined and the average occupancy rate was at approximately 81.7% throughout the year.

Electrical and mechanical business continued to face more difficulties, and the annual revenue decreased by 9.4% to approximately HK$1,127.3 million and continued to suffer an operating loss.

As regards strategic investments, the profit contributions from Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited have attained our expected targets.

PROSPECT

In 2020, the worldwide spread of the novel coronavirus epidemic is impacting the global economic and social macro environments to an unprecedentedly significant extent. Financial and commodities markets will be volatile. Trade protectionism is intensifying, and the external environment will be encountering increasing instability and uncertainty. China's epidemic prevention and control measures have initially achieved positive results and the resumption of work and production has been carried out in an orderly manner. As the internal and external economic conditions remain severe and complex, the economic development of China will face relatively great pressure in the short term. However, with the gradual implementation of various economic measures, it is believed that the resilience and potentials of China's economy will provide an impetus for its stable economic development.

With the diversification of state-owned enterprises equity and mixed-ownership reform continuing to deepen, Tianjin Municipal People's Government are through its state-owned capital operation platform giving an impetus to the ongoing shift in driving forces for economic development and the optimisation of industrial structure as well as the increase in operational efficiency of state-owned enterprises. The position and advantages of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), a controlling shareholder of the Company and also a cross-border state-owned capital operating company under the Tianjin Municipal People's Government, increasingly manifest itself. Having successfully launched the marketisation of management team selection and recruitment process and smoothly embarked on the research and formulation of development plans for a new era, it will continue to move forward with various reform and economic development in Tianjin City.

The Company will actively involve in the reform and promotion of a new era of high-quality development in Tianjin City by leveraging the business platform of its controlling shareholder. Meanwhile, the Company will also proactively implement the strategy-driven and innovation-driven development plan so as to seize the new development opportunities ahead. In addition, the Company will stick closely to its prudent financial discipline and strive to maintain a steady and sustainable business development to meet the challenges in the future.

I would like to take this opportunity to express my sincere gratitude to the Board members and all our staff for their continuous efforts.

Wang Zhiyong
Chairman and Executive Director

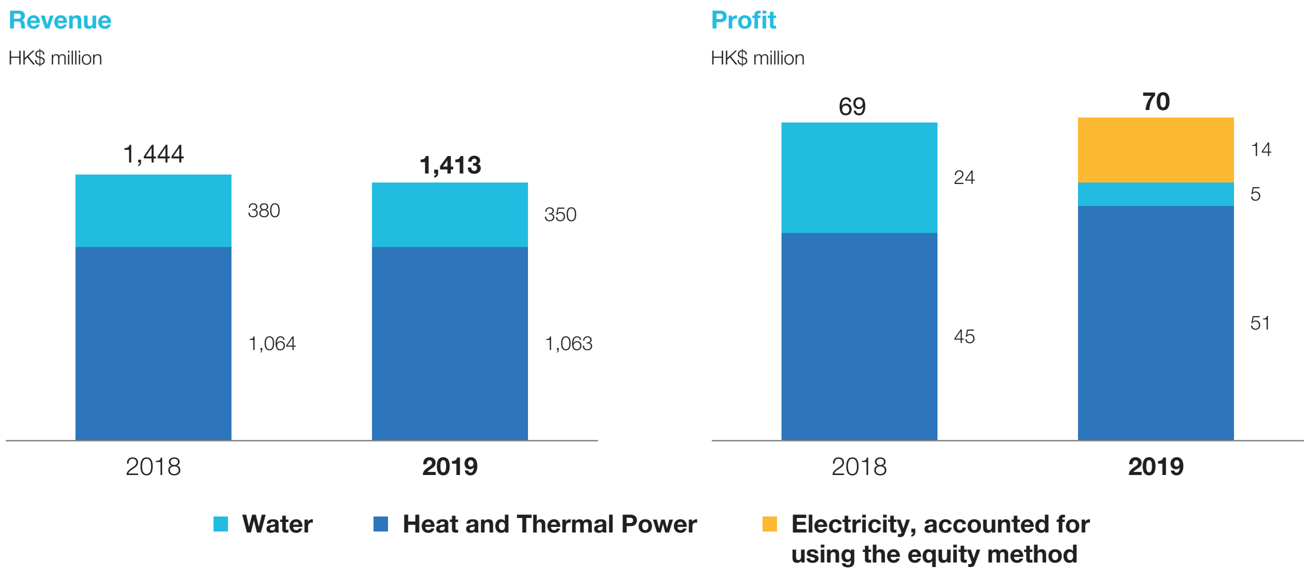
Hong Kong, 15 May 2020

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 and also at the intersection of Beijing-Tianjin-Hebei metropolitan regions, 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 Tianjin's economic development.



Electricity

In December 2018, pursuant to an absorption and merger agreement dated 6 December 2018 entered into between Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") and Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) ("TEDA Power"), TEDA Power absorbed and merged with Electricity Company while TEDA Power was the surviving company upon completion of the merger and assumed all the assets, liabilities and business operations of Electricity Company which was subsequently dissolved and deregistered (the "Merger"). Upon the completion of Merger on 22 April 2019, TEDA Power was owned as to approximately 47.09% and 52.91% respectively by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), and became an investment accounted for using the equity method of the Group thereafter. As a result of the Merger, the Group recognised a gain, together with the result from Electricity Company up to the date of Merger, amounted in aggregate to approximately HK$134.6 million, which has been disclosed and presented as profit from Electricity Business in the Group's consolidated statement of profit or loss.

TEDA Power is principally engaged in supply of electricity in TEDA. It also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services. Currently, the installed transmission capacity of TEDA Power is approximately 946,000 kVA. TEDA Power contributed to the Group a profit of approximately HK$14.4 million and the total quantity of electricity sold for the year was approximately 3,161,046,000 kWh.

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 (2018: 425,000 tonnes).

In 2019, revenue from the Water Company was approximately HK$349.6 million, a decrease of 8% from HK$380.5 million last year. The Water Company recorded a profit of approximately HK$5 million, a decrease of HK$18.6 million from HK$23.6 million in 2018. This was mainly attributable to decrease in government supplemental income and lower operating margins driven by the increase in operating costs outstripped the tariff improvement. The total quantity of water sold for the year was approximately 54,824,000 tonnes, representing a decrease of 0.7% 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 462 kilometres (2018: 462 kilometres) and more than 120 processing stations (2018: 120 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2019, the Heat and Power Company reported revenue of approximately HK$1,063 million, broadly maintained at the same level of previous year. Profit from the Heat and Power Company was approximately HK$50.8 million, an increase of 11.6% from HK$45.5 million in 2018. The increase in profit was primarily due to increase in government supplemental income and higher volumes of steam sold, partially offset by the increase in average steam purchase cost during the year. The total quantity of steam sold for the year was approximately 3,641,000 tonnes, representing an increase of 3.2% over last year.

Pharmaceutical

Pharmaceutical segment is principally engaged in the production and sale of chemical drugs as well as design, manufacture and printing for pharmaceutical packaging in the PRC, and also participates in the business of research and development of new medicine technology and new products through its 35% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute").

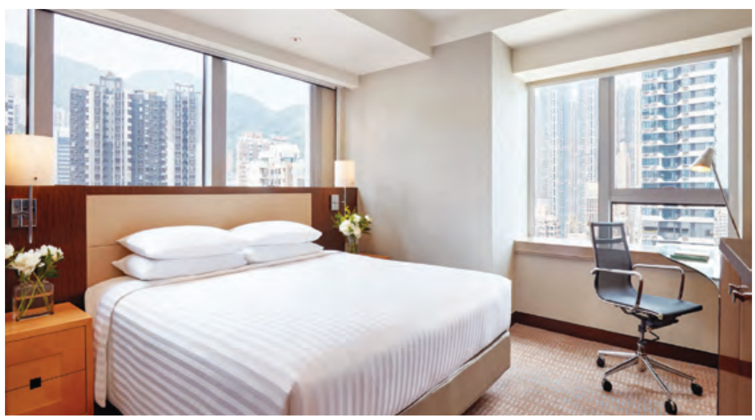
In 2019, revenue from pharmaceutical segment was approximately HK$1,903.4 million, a decline of 26.1% from HK$2,574.8 million last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK$1,791.6 million, a decrease of 24% from HK$2,357.2 million in 2018. Revenue from sale of packaging materials amounted to approximately HK$111.8 million, an increase of 13.8% from HK$98.2 million last year. The decrease in revenue was primarily due to the absence of revenue of Research Institute from sale of pharmaceutical products and provisions of research and development services as well as other pharmaceutical related operations following the completion of the disposal of part of equity interest in Research Institute in October 2018 (the "Disposal"). If not taking into account the revenue of Research Institute for the corresponding year in 2018, revenue from pharmaceutical segment increased by approximately 3.5%. Profit from pharmaceutical segment decreased from HK$851.2 million last year to approximately HK$228 million mainly due to the absence of the gain of HK$622.3 million on Disposal in 2018. Stripping out the Disposal gain in 2018, profit from pharmaceutical segment broadly maintained at the same level of last year. This segment result was primarily attributable to higher gross profit on both sale of pharmaceutical products and packaging materials business, completely offset by higher operating expenses.

During the year, the revenue of Research Institute amounted to approximately HK$1,034.3 million and contributed to the Group a loss (after non-controlling interests) of approximately HK$4.4 million.

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 2019, revenue from Courtyard Hotel of approximately HK$105.8 million was 17.1% below that of the previous year. Against the backdrop of tourism slowdown in Hong Kong, profit from Courtyard Hotel decreased by HK$14.7 million to approximately HK$13.7 million for the year 2019. The average room rate was under pressure and the average occupancy rate was approximately 81.7%, a decline as compared to 91.2% in 2018.



Management Discussion and Analysis

Electrical and Mechanical

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

In 2019, revenue from electrical and mechanical segment was approximately HK$1,127.3 million, representing a decrease of 9.5% over last year. Loss from electrical and mechanical segment was approximately HK$106.5 million compared to HK$138.7 million in last year. Stripping out the gain of HK$50.7 million on additional compensation for plant relocation and impairment loss of HK$58.9 million on property, plant and equipment made in relation to hydroelectric equipment business, the loss would have been approximately HK$98.3 million, compared to a loss of HK$145.6 million on a like-for-like basis. The segment loss stemmed from lower revenue due to slowdown in the sector and lower operating margins in hydraulic press business.

On 30 March 2020, Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司) ("Tianjin Tai Kang"), a non-wholly owned subsidiary of the Company, intends to dispose of its entire equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) and to assign the related shareholder's loan by Tianjin Tai Kang by way of public listing-for-sale process on the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC ("Potential Disposal"). The initial bidding price for the Potential Disposal is RMB158,681,800 (equivalent to approximately HK$176,528,869), of which, equity interest amounts to RMB8,681,800 and the related shareholder's loan amounts to RMB150,000,000. The final consideration for the Potential Disposal will depend on the final bid price to be offered by the successful bidder in the public listing-for-sale process. Tianjin Tai Kang will enter into a formal agreement with the successful bidder following completion of the public listing-for-sale process.

As at the date of the Group's audited consolidated financial statements was authorised for issue by the Board of Directors of the Company, Tianjin Tai Kang has not entered into any formal agreement regarding the Potential Disposal. Details of the Potential Disposal was disclosed in the Company's announcement dated 27 March 2020.

Strategic and Other Investments

Port Services

As at 31 December 2019, 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 Tianjin, the PRC.

As set out in the respective announcements published by Tianjin Port dated 12 February 2020 and 24 March 2020, Tianjin Port Coke Terminals Co., Ltd. (天津港焦炭碼頭有限公司), a wholly-owned subsidiary of Tianjin Port Holdings Co., Ltd. (天津港股份有限公司) (whose shares are listed on the Shanghai Stock Exchange (600717.SH) and is indirectly owned as to approximately 56.81% by Tianjin Port), occurred an incident of suspected embezzlement of funds. Tianjin Port has engaged an independent forensic expert to carry out the independent forensic investigation on this incident and other related matter.

During the year, the revenue of Tianjin Port decreased by 5% to approximately HK$15,077.4 million and profit attributable to owners of Tianjin Port was approximately HK$389.2 million.

Tianjin Port contributed to the Group a profit of approximately HK$81.7 million, representing a decline of 9.5% over last year. The Group carried out an impairment assessment for its equity interest in Tianjin Port and no impairment loss has been recognised in the consolidated income statement for the year (2018: recognised impairment loss HK$300 million).

Elevators and Escalators

As at 31 December 2019, 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$19,007 million, representing a decrease of 0.8% compared with last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$219 million, representing an increase of 9.4% over 2018.

Investment in Binhai Investment Company Limited

As at 31 December 2019, the Group has 4.69% 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$80.4 million (2018: approximately HK$68.9 million) and the unrealised fair value gain of approximately HK$11.5 million (2018: a loss of approximately HK$26.8 million) was recognised in other comprehensive expense.

Strategic and Other Investments (Continued)

Investment in Tasly Holding Group Co., Ltd.

As at 31 December 2019, the Group had 12.15% equity interest in Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) ("Tasly Holding"), a non-core passive investment in relation to the Group's pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥有限公司). Tasly Holding is a conglomerate established under the laws of the PRC on 30 March 2000 and its principal asset includes the holding of 683,481,524 A shares in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司) ("Tasly Pharmaceutical"), representing approximately 45.18% of its total issued A shares. Tasly Pharmaceutical is principally engaged in the research and development, manufacturing and distribution of pharmaceutical products in the PRC.

At the date of initial application of the Hong Kong Financial Reporting Standard 9 — Financial Instruments on 1 January 2018, the carrying amount of investment in Tasly Holding was HK$191.5 million and was reclassified from available-for-sale financial assets to equity instruments at fair value through other comprehensive income. As at 31 December 2019, the fair value of investment in Tasly Holding was approximately HK$1,473.4 million (31 December 2018: HK$1,908.8 million), accounting for approximately 6.5% of the Group's total assets, and on that date the fair value loss together with the exchange effect amounted to approximately HK$435.4 million has been recognised in other comprehensive income. During the year, the Group's dividend income from Tasly Holding for the year ended 31 December 2018 was approximately HK$13.8 million (2018: HK$14 million). The holding of 12.15% equity interest in Tasly Holding is not held for trading and not expected to be sold in the foreseeable future.

PROSPECT

In 2020, the worldwide spread of the novel coronavirus epidemic is impacting the global economic and social macro environments to an unprecedentedly significant extent. Financial and commodities markets will be volatile. Trade protectionism is intensifying, and the external environment will be encountering increasing instability and uncertainty. China's epidemic prevention and control measures have initially achieved positive results and the resumption of work and production has been carried out in an orderly manner. As the internal and external economic conditions remain severe and complex, the economic development of China will face relatively great pressure in the short term. However, with the gradual implementation of various economic measures, it is believed that the resilience and potentials of China's economy will provide an impetus for its stable economic development.

With the diversification of state-owned enterprises equity and mixed-ownership reform continuing to deepen, Tianjin Municipal People's Government are through its state-owned capital operation platform giving an impetus to the ongoing shift in driving forces for economic development and the optimisation of industrial structure as well as the increase in operational efficiency of state-owned enterprises. The position and advantages of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), a controlling shareholder of the Company and also a cross-border state-owned capital operating company under the Tianjin Municipal People's Government, increasingly manifest itself. Having successfully launched the marketisation of management team selection and recruitment process and smoothly embarked on the research and formulation of development plan for a new era, it will continue to move forward with various reform and economic development in Tianjin City.

The Company will actively involve in the reform and promotion of a new era of high-quality development in Tianjin City by leveraging the business platform of its controlling shareholder. Meanwhile, the Company will also proactively implement the strategy-driven and innovation-driven development plan so as to seize the new development opportunities ahead. In addition, the Company will stick closely to its prudent financial discipline and strive to maintain a steady and sustainable business development to meet the challenges in the future.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2019, the total cash on hand and total bank borrowings of the Group's continuing operations stood at approximately HK$5,684.9 million and HK$2,356.6 million respectively (2018: approximately HK$6,101.6 million and HK$2,156.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK$371.2 million (2018: approximately HK$2,156.6 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 20.7% as at 31 December 2019 (2018: approximately 19%).

Of the total HK$2,356.6 million bank borrowings outstanding as at 31 December 2019, HK$1,985.4 million were subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods and RMB332.6 million (equivalent to approximately HK$371.2 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 31 December 2019, 84.2% (2018: 83.3%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 15.8% (2018: 16.7%) was denominated in Renminbi.

The Group's activities expose it to a variety of financial risks. The major financial assets and financial liabilities of the Group include cash and cash equivalents, time deposits with maturity over three months, entrusted deposits, other financial assets and bank borrowings. The Group's financial risk management is aimed at mitigating the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's interest rate, foreign currency and credit risk exposures. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of approximately 3,734 employees (2018: 4,179) of which approximately 418 (2018: 474) were management personnel and 1,245 (2018: 1,043) were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 31 December 2019, restricted bank balances, land use rights and buildings of HK$329.7 million (2018: HK$231.1 million), HK$64.6 million (2018: HK$67.7 million) and HK$352.9 million (2018: HK$368.6 million) were respectively pledged to financial institutions by the Group to secure general banking facilities.

FINAL DIVIDENDS

The Board recommends the payment of a final dividend of HK4.78 cents per share for the year ended 31 December 2019 (2018: HK4.78 cents per share) to the shareholders whose names appear on the Company's register of members on 7 July 2020. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 26 June 2020, the final dividend will be paid on 31 July 2020.

The final dividend together with the interim dividend of HK3.26 cents per share paid on 28 October 2019 makes a total of HK8.04 cents per share for the year (2018: HK8.04 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 June 2020 (Monday) to 26 June 2020 (Friday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 19 June 2020 (Friday).

The register of members of the Company will be closed from 3 July 2020 (Friday) to 7 July 2020 (Tuesday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 2 July 2020 (Thursday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WANG Zhiyong, aged 48, was appointed as Chairman of the Board of the Company on 29 August 2019. He 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 the Chairman of the nomination committee and a member of each of the remuneration committee and investment committee of the Company. Mr. Wang is currently the Chairman of Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien") 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 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. 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 (北方國際信託投資股份有限公司). Mr. Wang graduated from Nankai University in 1994 with a Bachelor's Degree of International Finance, he passed the examination for on-the-job Postgraduate Master's Programme for Currency and Banking of Nankai University in 2000 and he also obtained a Master's Degree in Global Economy from Nankai University in 2009. In 2006, Mr. Wang was awarded the title of Outstanding Section Cadre Leader of Work Committee of Developing Area and Bonded Area. Tsinlien Group (Tianjin) Asset was also awarded the titles of Civilized Unit at Municipal Level as well as Outstanding Section Leaders of Developing Area and Bonded Area.

Mr. CHEN Yanhua, aged 45, was appointed as an Executive Director and General Manager of the Company on 29 August 2019. Mr. Chen is a senior engineer, graduated from Beijing Institute of Technology with a Bachelor's Degree in Engineering in 1995, and obtained a Master's Degree in Engineering from Lanzhou Jiaotong University in 1998 and a Master of Business Administration Degree from University of Chinese Academy of Sciences in 2010. Prior to joining the Company, he had served in various executive roles including assistant to president and vice president of China Sciences Group (Holding) Co., Ltd. (中科實業集團（控股）有限公司), partner of Beijing Green Collar Zhiyuan Investment Management Centre (limited partnership) (北京綠領致遠投資管理中心（有限合夥)) as well as director and general manager of China Reform Culture Holdings Co., Ltd. (國新文化控股股份有限公司) (Stock Code: 600636.SH). Mr. Chen is currently a director and general manager of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). He has extensive experience in strategic planning, corporate management, corporate finance and wealth management.

Dr. LI Xiaoguang, aged 47, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Dr. Li is a senior economist, graduated from Tianjin University with a Bachelor's Degree in Engineering in 1995, and obtained a Master of Business Administration Degree in 2003 and a Doctoral Degree in Global Economics from Nankai University in 2009. Dr. Li first joined the Company in 2004 and has worked in various roles including manager of asset management department of Tianjin Development Assets Management Co., Ltd. (天津發展資產管理有限公司), a wholly-owned subsidiary of the Company, deputy general manager, general manager of investment development department of Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien"). During the period from 2008 to 2015, he served in the general office of Tianjin Municipal People's Government (天津市人民政府辦公廳) and the general office of Guangzhou Municipal Committee of the Communist Party of China (廣州市委辦公廳). Dr. Li then re-joined Tsinlien as assistant to general manager in 2015 and assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings"). He is currently a deputy general manager of Tsinlien and Tsinlien Investment Holdings, and concurrently the Chairman of Tianjin Bohai State-owned Capital Research Institute Co., Ltd. (天津渤海國有資本研究院有限公司), an associate of Tsinlien Investment Holdings. Dr. Li has extensive experience in economics, corporate management and public relations.

EXECUTIVE DIRECTORS (Continued)

Mr. ZHUANG Qifei, aged 47, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Mr. Zhuang graduated from Shanghai University of Finance and Economics with a Bachelor's Degree in Engineering in 1993, and obtained a Master's Degree in Economics from Fudan University in 2001 and an Executive Master of Business Administration Degree from Tsinghua University in 2012. Prior to joining the Company, he had served in various executive roles including treasury manager of investment banking department of Shanghai Wanguo Securities Co., Ltd. (上海萬國證券有限公司), deputy general manager of Shanghai headquarter of China Southern Securities Co., Ltd. (中國南方證券有限公司), deputy general manager of investment banking department of Tiantong Securities Co., Ltd. (天同證券有限公司), deputy general manager of Shanghai headquarter of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (Stock Code: 601688.SH), general manager of securities investment headquarter of Central China Securities Co., Ltd. (中原證券股份有限公司) (Stock Code: 601375.SH), general manager of Shanghai Richen Asset Management Co., Ltd. (上海融昌資產管理有限公司), director of Western Securities Co., Ltd. (西部證券股份有限公司) (Stock Code: 002673.SZ), general manager of Shanghai Chengtou Holding Investment Co., Ltd. (上海城投控股投資有限公司) as well as investment controller, vice president of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (Stock Code: 600649.SH). Mr. Zhuang is currently a deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). He has extensive experience in investment and capital operation.

Mr. CUI Xiaofei, aged 47, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Mr. Cui graduated from Northeastern University with a Bachelor's Degree in Economics in 1996 and obtained an Executive Master of Business Administration Degree from The University of Texas at Arlington, College of Business in 2012. Prior to joining the Company, he had served in various executive roles including secretary to president, project manager of corporate investment management department of China Iron & Steel Trade and Industry Group Corporation (中國鋼鐵工貿集團公司), project manager, director, general manager of Sinosteel Australia Pty Ltd (中鋼澳大利亞有限公司), director, general manager of Sinosteel Channar Pty Ltd (中鋼恰那鐵礦有限公司), vice president of Sinosteel Iron & Steel Co., Ltd. (中鋼鋼鐵有限公司), deputy general manager of China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易有限公司), managing director of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd. (中船工業成套物流有限公司), chairman of Beijing Blue Duck Spring Co., Ltd. (北京藍鴨冰泉有限公司) as well as director, general manager of Bulk International Pte. Ltd. (大宗國際有限公司). Mr. Cui is currently a deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). He has extensive experience in finance and international business.

NON-EXECUTIVE DIRECTOR

Mr. CHEUNG Wing Yui, Edward, *BBS*, aged 70, 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. Mr. Cheung received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia and 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 was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is a director of a number of companies listed on the Stock Exchange, namely being a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited (Stock Code: 315) and SUNeVision Holdings Ltd. (Stock Code: 1686), a non-executive director of Tai Sang Land Development Limited (Stock Code: 89) and Transport International Holdings Limited (Stock Code: 62). 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 chairman 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. He also served as an independent non-executive director of Hop Hing Group Holdings Limited (Stock Code: 47) (until 25 August 2017) and Agile Group Holdings Limited (Stock Code: 3383) (until 13 February 2018). Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from the Open University of Hong Kong in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 92, 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 Group Holdings Limited (Stock Code: 3383), a company whose shares are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, FCPA (Aust.)*, aged 70, was appointed as an Independent Non-Executive Director of the Company on 27 October 2009. He is also the Chairman of the Investment Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also a Fellow of CPA Australia and an associate of The Taxation Institute of Hong Kong. Mr. Mak has over 40 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 from September 2014 to June 2017. 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, the Treasurer of Senior Citizen Home Safety Association and an independent non-executive director of K & P International Holdings Limited (Stock Code: 675), a company whose shares are listed on the Stock Exchange. Previously, Mr. Mak had served as the chairman of Tax Specialization Development Working Group of Hong Kong Institute of Certified Public Accountants, 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, 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.

Ms. NG Yi Kum, Estella, aged 62, 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") (Stock Code: 101), 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 Chartered Governance Institute (formerly 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 currently an independent non-executive director of Comba Telecom Systems Holdings Limited (Stock Code: 2342), CT Vision (International) Holdings Limited (Stock Code: 994), CMGE Technology Group Limited (Stock Code: 302) and Powerlong Commercial Management Holdings Limited (Stock Code: 9909), all companies are listed on the Stock Exchange. Ms. Ng served as an independent non-executive director of China Power Clean Energy Development Company Limited (Stock Code: 735) until 19 August 2019. She also served as an independent director of DS Healthcare Group, Inc. until 16 May 2017, a company whose shares were previously listed on the Nasdaq Capital Market in the United States until 23 December 2016, and 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. WONG Shiu Hoi, Peter, aged 79, 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 Group Holdings Limited (Stock Code: 3383), Target Insurance (Holdings) Limited (Stock Code: 6161) and Tai Hing Group Holdings Limited (Stock Code: 6811), all companies are listed on the Stock Exchange.

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 70, 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. He has over 41 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a Fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Independent Non-Executive Director Association. Currently, he serves as an independent non-executive director of Chiho Environmental Group Limited (Stock Code: 976), CIMC-TianDa Holdings Company Limited (Stock Code: 445), Forebase International Holdings Limited (Stock Code: 2310), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), Matrix Holdings Limited (Stock Code: 1005), TC Orient Lighting Holdings Limited (Stock Code: 515), Tianhe Chemicals Group Limited (Stock Code: 1619), TradeGo FinTech Limited (Stock Code: 8017), V1 Group Limited (Stock Code: 82), Zhenro Properties Group Limited (Stock Code: 6158) and Zhong An Real Estate Limited (Stock Code: 672), all of these companies are listed on the Stock Exchange. He also served as an independent non-executive director of Lamtex Holdings Limited (Stock Code: 1041) until 23 March 2020.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. SHI Jing, aged 49, 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. (天津發展資產管理有限公司) 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 (津聯集團有限公司) and 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), a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828), as well as a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ). Ms. Shi also served as a non-executive director of Binhai Investment Company Limited (Stock Code: 2886) until 26 July 2018.

Mr. CHONG Ching Hei, aged 47, 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 finance. 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.

Ms. LEE Su Yee, Bonnia, aged 42, Company Secretary of the Company. Ms. Lee graduated from the City University of Hong Kong with a Master of Science Degree in Professional Accounting and Corporate Governance. She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She is also a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries. Ms. Lee joined the Company since October 2010 as an assistant company secretary and has extensive experience in company secretarial practice.

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 Tianjin Development Holdings Limited's ("the Group", "we", "our" or "us") principal operating segments of utilities, pharmaceutical and electrical and mechanical for the period from 1 January to 31 December 2019 (the "Reporting Period", "FY 2019"). The report includes only material ESG issues which are identified by the Group through materiality assessment and only covers the entities directly controlled by the Group.

The Group is committed to incorporating sustainability into its daily operations and understanding stakeholders' expectations of its ESG practices. An ESG working group, comprising of representatives from the abovementioned principal operating segments and different functions, has been established to collect ESG data and facilitate the ESG reporting process. These functions include Company Secretary, Finance, Human Resources, Administrative, Purchasing, Customer Services and Strategic Planning departments, thereby allowing the Group to disclose necessary information in order to present a balanced picture of our ESG performance. The ESG working group is responsible for overseeing the alignment of business strategies developed by the respective operating segments and report regularly to the Board to provide ESG updates. Business functions in each principal operating segments are on the frontline to identify relevant ESG issues during daily operations and report them to their respective representatives in ESG Working Group. They are also primarily responsible for tailoring their own ESG implementation plans.

The Group continuously monitors the ESG-related risks by ensuring that appropriate internal controls are in place to regularly assess and manage the risks, and oversees the management in the design, implementation and monitoring of the risk management and internal control systems, as well as ESG matters. The Group has appointed an external consultant to perform independent review regularly in order to ensure the adequacy and effectiveness of its risk management and internal control systems. For details, please refer to the section "RISK MANAGEMENT AND INTERNAL CONTROL" in the Corporate Governance Report of the Group.

The Group recognises the importance of stakeholder participation to the long-term success of its business. If we are going to ride the wave of transitions and sustain our business in long-term, we have to understand, prioritise and align the interests and concerns of our key stakeholders in different ESG issues to our corporate strategies. We have established various communication channels to reach out to different stakeholders' to collect their points of views and concerns, including those related to ESG issues of the Group. The Group's key stakeholder groups are employees, clients, investors/shareholders, suppliers, business partners, government, social groups and public. Our normal engagement channels with these key stakeholders include emails and phone communications, meetings, trainings, workshops, employee activities, corporate websites, Annual General Meeting, Annual and Interim Reports, site visits, voluntary activities, as well as sponsorship and donations. In addition, the Group has specifically invited employees, shareholders, services providers, and two of the associated companies to participate in a materiality assessment survey during the Reporting Period.

Environmental, Social and Governance Report

Through our established engagement channels, we have reviewed the feedback from our stakeholders, identified relevant ESG issues and assessed their materiality to our business as well as to the stakeholders. The table below highlights the ESG issues which are determined to be material to the Group covered in this report:

HKEx ESG Guide Reference	Material ESG issues
General	
General	• Compliance with relevant laws and regulations
A. Environmental	
A1. Emissions	• Air emissions and water discharge • Greenhouse gas emissions • Waste management
A2. Use of resources	• Energy consumption • Water usage • Packaging materials
A3. The environment and natural resources	• Environmental impact management
B. Social	
B1. Employment	• Labour practices
B2. Health and 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 programmes, donation and award

Note: The principal subsidiaries of the Group covered in this report are 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"), Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment") and Tianjin Lisheng Pharmaceutical Co. Ltd ("Lisheng"). Since Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") was absorbed and merged with Tianjin TEDA Electric Power Co., Ltd. ("TEDA Power") on April 22, 2019, Electricity Company ceased to be a wholly-owned subsidiary of the Group and hence is excluded from the reporting scope of our ESG report.

GENERAL

Compliance with relevant laws and regulations

Compliance with relevant laws and regulations, anti-corruption and money laundering risk, and workplace health and safety were identified as top material issues during the Reporting Period. To address the concerns of our stakeholders, our operating segments have established regulatory departments or equivalent to keep up with regulatory updates. We have also established written policies and procedures to govern the operational process of key business procedures, such as recruitment and payroll, workplace safety, customer compliant handling and expense policies. The Group has zero tolerance policy towards money laundering activities. Whistleblowing channels have been developed to enhance our ongoing scrutinising mechanism over daily operations. Any identified cases would be reported and investigated in accordance with the established procedures promptly.

As a responsible employer, it is our primary responsibility to alleviate workplace hazards to our employees. Employees are always encouraged to seek appropriate instructions from their supervisors whenever they have any uncertainty on the operations. Not only have we conducted routine safety inspections on our production lines, we have also provided refresher safety trainings to keep our employees alert to potential dangers in the surroundings.

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 meeting the requirements as set out in the local environmental laws and regulations, 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. Internal policies and procedures have been established to provide guidelines on the monitoring of our air emissions and water discharge, as well as on our waste handling processes. We have also dedicated teams to monitor our environmental performance regularly, and corresponding controls have been implemented on high consumption areas.

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and water discharge

Statistics of our air emissions and water discharge during the Reporting Period together with the comparative figures for the corresponding year in 2018 ("FY 2018") are summarised as follows:

Type of emissions	**2019 Total (Tonnes)**	2018 Total (Tonnes)
Chemical Oxygen Demand (COD)	**11.35**	19.69
Ammoniacal Nitrogen (NH_3-N)	**2.02**	1.65
Sulphur Dioxide (SO_2)	**0.77**	1.12
Nitrogen Dioxide (NO_2)	**11.98**	10.07
Non-methane Hydrocarbon (NMHC)	**0.28**	0.30
Dust	**0.86**	1.30
Petroleum	**0.05**	0.05
Xylene	**0.08**	0.08
Toluene	**0.03**	0.03
Suspended Solids (SS)	**3.48**	2.70
Biochemical Oxygen Demand (BOD)	**4.93**	3.78
Volatile Organic Compounds (VOCs)	**0.35**	0.04
Ammonia (NH_3)	**0.05**	0.07
Hydrochloric Acid (HCl)	**0.15**	0.14
Liquid waste	**166.30**	176.50
Wastewater	**587,121.00**	637,773.00

Note: The above statistics cover the air emissions and water discharge from Water Company, Tianduan Press, Tianfa Equipment and Lisheng in FY 2019 and FY 2018.

During the Reporting Period, the emission of chemical oxygen demand (COD), sulphur dioxide (SO_2), and dust have been significantly reduced due to the scale-down of production, while the growing amounts in nitrogen dioxide (NO_2), volatile organic compounds (VOCs) and ammoniacal nitrogen (NH_3-N) were attributed to the increasing number of trial production runs and experiments in Lisheng. Tianfa Equipment has also upgraded its monitoring equipment and able to provide more accurate emission data such as suspended solids (SS) and biochemical oxygen demand (BOD).

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and water discharge (Continued)

- Thickening process has been adopted to reduce wastewater discharge and improve water efficiency by reusing the effluent.

- On-going monitoring and adjusting the use of chemical dosage to enhance sedimentation during water purification process.

- COD online monitoring system has been established to ensure that the COD level met the regulatory standards before discharging. The system was interconnected with the government environmental monitoring platform to facilitate real-time data transmission and monitoring.

- Environmentally friendly coal-fired boilers have been deployed to replace the old ones for reducing the level of both air emission and industrial wastewater discharged.

Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 580,524.86 tonnes (2018: 661,001.00 tonnes) of the energy-related carbon dioxide equivalent (CO2e) 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 for our energy consumption data and reduction initiatives.

Greenhouse gas emission in FY 2019 (in tonnes)	
Direct emission (Scope 1)	10,233.51
Indirect emission (Scope 2)	570,291.35

Note: The carbon emissions are calculated with reference to the “Greenhouse Gas Protocol” published by the World Business Council for Sustainable Development and the World Resources Institute, the “Environmental Key Performance Indicators Reporting Guide” of HKEx, the “Baseline Emission Factors for Regional Power Grids of China” published by the Ministry of Ecology and Environment and “The UK Government Conversion Factors for greenhouse gas reporting” published by the Department for Environment, Food & Rural Affairs. The reduction in carbon emissions can be partially attributed to exclusion of Electricity Company.

Waste management

The major types of industrial waste for the Group are the commercial waste produced from the manufacturing processes of our electrical and mechanical segment and solid waste (including commercial waste and industrial waste) generated from our pharmaceutical segment. Since our pharmaceutical segment has already completed its reform of production plant in 2018, the total amount of non-hazardous waste produced by the above-mentioned segments was thus reduced considerably to 661.60 tonnes (2018: 1,490.80 tonnes) during the Reporting Period.

The utilities, electrical and mechanical and pharmaceutical segments had generated hazardous waste during their operation, which included used oil, scrap mica, oily waste, organic waste, methanol liquor, toxic waste carbon and scraped drugs. During the Reporting Period, the total amount of hazardous waste produced by the above-mentioned segments was 43.30 tonnes (2018: 13.88 tonnes). The increase in the hazardous waste was mainly due to the increasing number of trial production runs and experiments in pharmaceutical segment and usage of oily waste in mechanical segment.

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste management (Continued)

In terms of general commercial and 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). The standard provides guidelines on the storage of general industrial solid waste, as well as the design, operation, management, pollution control and monitoring requirements of the site selected for waste disposal. In addition, solid waste collection points have been established to centralise the storage of solid waste so as to avoid pollution. Recyclable solid wastes have been collected and recycled by designated departments. All 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), which stipulates the requirements in handling, storage and disposal of hazardous waste, and trainings have been provided to our employees on hazardous waste management. The Group has no significant hazardous chemicals used in our operations.

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.

Energy consumption

Statistics of our consumption of the direct and indirect energy during the Reporting Period together with the comparative figures for FY 2018 are shown as below:

	Consumption		Intensity (per employee)	
Type	**2019**	2018	**2019**	2018
Petrol (Tonnes)	**50.75**	33.11	**0.03**	0.02
Diesel (Tonnes)	**9.37**	55.87	**0.01**	0.04
Natural gas (m^3)	**4,933,071.00**	4,462,891.00	**1,454.75**	1,354.03
Electricity (kWh)	**45,231,064.75**	57,138,275.77	**12,930.55**	14,825.71
Heat (GJ)	**5,070.71**	4,056.00	**12.34**	17.04
Steam (Tonnes)	**3,938,603.00**	3,988,532.00	**2,205.26**	2,071.96

Note: The above statistics cover the major types of energy consumed by Water Company, Heat & Power Company, Tianduan Press, Tianfa Equipment and Lisheng in FY 2019 and FY 2018. Since Electricity Company was absorbed and merged with TEDA Power on April 22, 2019, it ceased to be a wholly-owned subsidiary of the Group and hence is excluded from the reporting scope of our ESG report. The electricity data has been revised in this report after a further review of the data reported by Tianfa Equipment in 2018.

The increase of intensity in natural gas was mainly attributed to the increasing demand for heating during winter while that in steam was mainly due to drop in headcount in Heat & Power Company and Lisheng.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

The Group has implemented 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.
- Replacing halogen light bulbs with LED lighting in the warehouse.
- Implementing solar water heating systems and automated temperature control systems.
- 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 (i.e. 50% or more reduction in both petrol and diesel consumption intensities).
- Replacing coal-fired boiler with steam boiler.
- Transforming the thermal control system in pharmaceutical drying chamber from hot water to steam plate type heat exchanger (原板式換熱器).
- Engaging our staff through trainings and various activities to raise the awareness of energy saving.

Water usage

During the Reporting Period, the aggregate amount of water consumed by Water Company, Heat & Power Company, Tianduan Press, Tianfa Equipment and Lisheng was 2,542,242.00 tonnes, with an intensity of 726.77 tonnes per employee (2018 Consumption: 2,855,239.00 tonnes; 2018 Intensity: 740.85 tonnes per employee). The Group has no water sourcing issues during the Reporting Period.

We have implemented water saving measures, which include the following:

- Recycling and reusing the wastewater for lawn irrigation and flushing water.
- Implementing water circulation systems across the manufacturing process to reduce the consumption of steam, which is expected to save up to 2,500 tonnes of steam annually.
- Installing water efficient devices.
- Carrying out periodic inspection and replacement on water pipes to prevent leakages.
- Replacing wet cooling tower from open circuit to closed to reduce usage of water during circulation.

With the implementation of the abovementioned measures, both absolute water consumption and consumption intensity have been reduced compared to 2018.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Packaging materials

Our pharmaceutical segment consumes packaging materials for containing and protecting our pharmaceutical products while Tianfa Equipment also consumes a small amount of packaging materials. Despite the fact that using packaging materials is inevitable, we strive to minimise the packaging materials by adopting simple design, as well as using recycled and recyclable materials as possible. We have also set up consumption quotas for each packaging materials, allowing us to closely monitor and evaluate the usage of packaging materials at the end of every production month. During the Reporting Period, our total packaging materials used for protecting our pharmaceutical products and used by Tianfa Equipment was 3,369.42 tonnes (2018: 3,139.51 tonnes). The increment was primarily because of demand for a particular product that required more consumption of packaging materials had increased.

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. We continue to refine and advance our environmental initiatives to assimilate the green concept into our product lifecycles. Materials and production technologies that may cause substantial environmental pollutions are prohibited.

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 ISO 14000 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.

- Engaging qualified consultants to conduct environmental assessment on development or renovating projects.

- Informing local environmental authorities regularly 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.

B. SOCIAL

B1 Employment

Labour practices

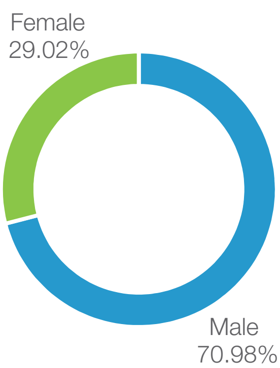
The Group promotes ethical and fair labour policies in interest of our people. We value and respect the rights of our employees. To uphold the labour standards and fulfil our obligation as well as responsibilities as employer, our operating segments have established comprehensive guidelines with reference to the relevant labour laws and regulations to govern the employee compensation and dismissal, recruitment and promotion, working hours and leaves policy, equal opportunity and other welfares, which have been clearly communicated to relevant employees and are regularly reviewed where necessary to ensure proper execution. The Group will consider hiring disabled persons where appropriate. The Group consistently follows the requirements as set out in the related law and regulations, including the "Labour Law of the People's Republic of China" (中華人民共和國勞動法), the "Labour Contract Law of the People's Republic of China" (中華人民共和國勞動合同法) 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.

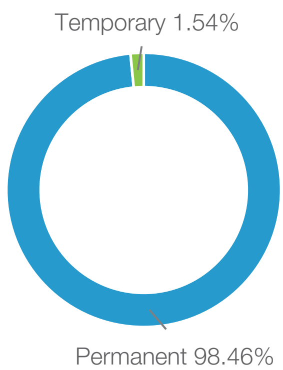
By the end of FY 2019, the Group has a total workforce of 3,498 employees with a turnover rate of around 2.05%.

Employee Profile

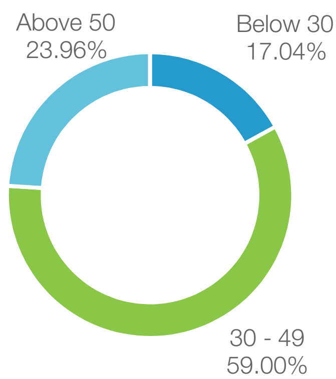
By gender



By employee type

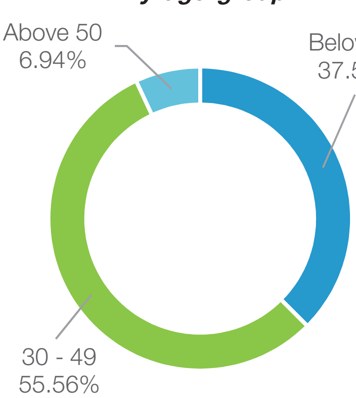


By age group

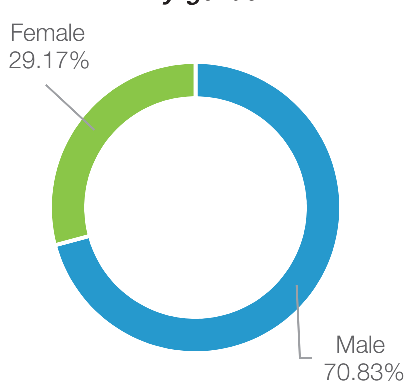


Composition of turnover

By age group



By gender



B. SOCIAL (Continued)

B2 Health and Safety

Workplace health and safety

Health and safety of each and every employee is of paramount importance to us. The Group has compelling responsibility to protect the well-being of workers and minimise the possibility of accidents which may lead to immeasurable and irreparable workplace injuries. We strictly follow the “State Administration of Work Safety Act” (國家安全生產法), and the “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” (中華人民共和國職業病防治法), and have obtained 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.

In order to nurture and enhance a workplace safety culture and awareness of our employees, 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 mechanisms are in place for operations with related risks identified to eliminate workplace safety hazards. We also provide safety 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, and have performed evaluations of historical safety records.

In face of the outbreak of new coronavirus, all employees are required to oblige with various mandatory travel restrictions and quarantines introduced by the local governments. We have gradually resumed our business activities in cautious and implemented a series of precautionary measures to prevent our employees from getting infected. Protective gears, such as face masks and protective suits, are provided in our factories and office areas. We have also enhanced our regular cleaning and disinfection in our working premises. All offices are required to report any suspected and confirmed cases to the Group immediately.

There were 205 lost days due to work injury, no work-related fatalities nor material non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period.

B. SOCIAL (Continued)

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. Tianfa Equipment has adopted an apprenticeship system not only can it help nurture future leaders from current practitioners, but it also allows our employees to develop their professional network throughout on-the-job training. In order to strengthen and expand the domain of knowledge of our professional technicians in pharmaceutical segment, we have also launched online continuing education program to introduce the latest industry advancements. Furthermore, 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 such as international conference, exhibitions. During the Reporting Period, the Group has provided 49,491 hours of training to 2,732 employees. Statistics in relation to development and training in FY 2019 are as shown below:

	Percentage of employees trained	Average training hours completed per employee
By Gender		
Male	76.76%	13.25
Female	81.38%	16.35
By Employee Category		
General staff	77.61%	14.09
Middle management	85.25%	15.10
Senior management	79.49%	13.87

B4 Labour Standards

Prevention of child and forced labour

The Group strictly prohibits the use of child and forced labour with reference to the "Underage Workers Special Protection Provisions" (未成年工特殊保護規定) and "Prohibition of Child Labour Provisions" (禁止使用童工規定), by adopting a comprehensive screening and recruitment 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.

B. SOCIAL (Continued)

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.

Number of suppliers by region in FY 2019

Northern China	514
Northeast China	83
Eastern China	252
Southern China	83
Southwest China	19
Northwest China	25
Others	20

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 are introducing a barrier-free "sell-to-home" (入戶售水服務) business model to simplify the purchase process for disabilities and elderly. 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 ISO 9000 Quality Management Standard which sets out the required procedures addressing including but not limited to product design and development, procurement, production, quality controls.

For our pharmaceutical segment, we are in strict compliance with the "Good Manufacturing Practice" ("GMP") (藥品生產和質量管理規範), "Pharmaceutical Administration Law" (藥品管理法), "Provisions on the Administration of Pharmaceutical Directions and Labels" (藥品説明書和標籤管理規定), "Advertising Law of the People's Republic of China" (中華人民共和國廣告法), "Measures for the Administration on Report and Monitoring of the Side Effect of Pharmaceuticals" (藥品不良反應報告和監測管理辦法), "Administrative Measures for Drug Recalls" (藥品召回辦法) and other relevant laws and regulations. To promote better quality control, Lisheng has established quality management systems comprised of regular self-inspection and quality audit by independent quality control team, for its production as well as sales and marketing functions.

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Product and service quality (Continued)

During the Reporting Period, a written complaint was received by the Water Company regarding inadequate service counters over weekends. To address this issue, the Water Company had installed automatic water vending machine to reduce the waiting time of each clients as well as to satisfy water demand outside of business hours. There were no material non-compliance issues noted and product recalled regarding product responsibilities.

B7 Anti-corruption

Anti-corruption and money laundering

The Group is committed to complying with laws regarding anti-corruption and anti-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 strive to maintain high standard of ethical, personal and professional conduct among all our employees. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. As a result, we have a number of internal policies addressing anti-corruption and anti-money laundering as well as employee code of conducts in place. These policies provide guidelines on expenditure management, whistleblowing channels, as well as bribery acts. 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 provided to stakeholders to report issues identified to us. All reported cases are investigated by independent disciplinary committee and reported to the Board.

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

B8 Community Investment

Community programmes, donation and award

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.

B. SOCIAL (Continued)

B8 Community Investment (Continued)

Community programmes, donation and award (Continued)

The Group has always cared for the poor and the community as a whole. During the Reporting Period, our community investment focused on assisting the underprivileged, through organising and participating in a great variety of social activities with various charity institutions. For instance, we have visited the child welfare home and nursing home to show our care and concern to underprivileged children. We have also held free movie screenings in rural areas to enhance cohesion amongst local communities.

In terms of financial support, Lisheng has made donations to the underprivileged with an aggregate amount over RMB1 million, and has provided sponsorships to promote health and higher living standards.

During the Reporting Period, Lisheng was awarded the 2018 Golden Bull Investment Award (2018年度金牛最具投資價值獎) and Corporate Social Responsibility Award from the 9th Model Tianjin (第九屆榜樣天津最具社會責任企業), which demonstrated that its efforts in the fields of corporate governance and investor relations have been highly recognised.

CORPORATE GOVERNANCE PRACTICES

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

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

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.

Board Composition

As at 31 December 2019, the Board consists of twelve members, comprising five executive directors, being Mr. Wang Zhiyong *(Chairman)*, Mr. Chen Yanhua *(General Manager)*, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei, two non-executive directors, being Mr. Cheung Wing Yui, Edward and Dr. Chan Ching Har, Eliza (resigned on 15 April 2020) and five independent non-executive directors, being Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu.

Since the retirement of Mr. Zeng Xiaoping on 31 July 2018, the roles of the Chairman of the Board and the Chairman of the Nomination Committee had been outstanding, which deviated from code provisions A.2 and A.5.1 of the CG Code. Following the appointments of Mr. Wang Zhiyong as Chairman of the Board as well as Chairman of the Nomination Committee and Mr. Chen Yanhua as executive director and general manager on 29 August 2019, the Company has complied with these code provisions.

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 by 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 17 to 21 of this Annual Report.

Board Composition (Continued)

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.

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. A letter of appointment has been entered into between the Company and each of the non-executive directors and independent non-executive directors.

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

To the best knowledge of the Company and save for the directorships as disclosed in the section headed "*Biographical Details of Directors and Senior Management*" of this Annual Report, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between members of the Board and in particular, between the Chairman and the General Manager.

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

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. Wang Zhiyong, 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. Chen Yanhua, 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.

Board 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.

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.

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 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.

Board Proceedings (Continued)

In 2019, the Company held two Board meetings, which deviates from code provision A.1.1 of the CG Code. As business operations of the Company were under the management and supervision of the executive directors, who had from time to time held executive meetings to resolve all material business or management issues and therefore, certain Board consents were obtained through the circulation of written resolutions. The attendance records of each member of the Board are set out below:

Name of Director		Attended/Eligible to Attend
Executive Directors		
Mr. Wang Zhiyong *(Chairman)*		2/2
Mr. Chen Yanhua *(General Manager)*	(appointed on 29 August 2019)	1/1
Dr. Li Xiaoguang	(appointed on 29 August 2019)	1/1
Mr. Zhuang Qifei	(appointed on 29 August 2019)	1/1
Mr. Cui Xiaofei	(appointed on 29 August 2019)	1/1
Dr. Cui Di	(resigned on 29 August 2019)	1/2
Dr. Yang Chuan	(resigned on 29 August 2019)	1/2
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		2/2
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	2/2
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		2/2
Mr. Mak Kwai Wing, Alexander		2/2
Ms. Ng Yi Kum, Estella		1/2
Mr. Wong Shiu Hoi, Peter		2/2
Dr. Loke Yu		2/2

In addition to Board meetings, a meeting of the Chairman and the non-executive directors (including independent non-executive directors) without the presence of other executive directors and the management was also held.

Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. In December 2019, the Company has invited Prof. Cao Erbao, Adjunct Professor of Tsinghua Shenzhen International Graduate School and Special Research Fellow of the Counselors' Office of the State Council, to conduct an in-house training session for directors on the topic of "Hong Kong is two major Strategic Intersections of China: One Country Two Systems and One Belt One Road". Further, monthly updates on the Company's performance, position and prospects are also provided to the directors. The types of continuous professional development activities undertaken by the directors during the year are summarised as below:

Name of Director		Types of Continuous Professional Development Activities
Executive Directors		
Mr. Wang Zhiyong *(Chairman)*		A
Mr. Chen Yanhua *(General Manager)*	(appointed on 29 August 2019)	A
Dr. Li Xiaoguang	(appointed on 29 August 2019)	A
Mr. Zhuang Qifei	(appointed on 29 August 2019)	A
Mr. Cui Xiaofei	(appointed on 29 August 2019)	A
Dr. Cui Di	(resigned on 29 August 2019)	N/A
Dr. Yang Chuan	(resigned on 29 August 2019)	N/A
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		A & B
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	A & B
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		B & C
Mr. Mak Kwai Wing, Alexander		A & B
Ms. Ng Yi Kum, Estella		A & B
Mr. Wong Shiu Hoi, Peter		C
Dr. Loke Yu		A & B

notes:

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

BOARD COMMITTEES

As a part of good corporate governance, the Board has established the Remuneration Committee, Audit 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 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 currently consists of two independent non-executive directors, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander and one executive director, Mr. Wang Zhiyong. 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 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.

During the year, the Remuneration Committee held one meeting and also dealt with relevant matters by way of written resolutions. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Dr. Cheng Hon Kwan *(Chairman)*	1/1
Mr. Mak Kwai Wing, Alexander	1/1
Mr. Wang Zhiyong	1/1

In 2019, the Remuneration Committee reviewed and made recommendation to the Board on remuneration matters including the existing remuneration policy, bonus for the year 2018 and the remuneration packages for the year 2019 of the Company's directors and senior management. In January 2020, the Remuneration Committee reviewed and made recommendation to the Board on the bonus for the year 2019 of the Company's directors and senior management.

Details of the emoluments of the directors and the interests of the directors in the share options of the Company for the year ended 31 December 2019 are set out in Notes 11 and 32 to the consolidated financial statements.

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.

Audit Committee (Continued)

Set out below is a summary of work performed by the Audit Committee in 2019:

- reviewed the financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019;
- reviewed the Group's continuing connected transactions;
- reviewed risk management and internal control matters with external consultant;
- reviewed the external auditor's statutory audit plan and letters to the management;
- considered 2019 audit fees and audit work; and
- considered the independence of the external auditor.

The Audit Committee held two meetings in 2019. 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	Attended/Eligible to Attend
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 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.

No meeting has been held by the Investment Committee during the year. The members of the Investment Committee will meet as, and when required.

Nomination Committee and Appointment of Directors

The Nomination Committee was established in 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 one executive director, Mr. Wang Zhiyong. It is chaired by Mr. Wang Zhiyong.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition of the Board, 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.

The Board has adopted a board diversity policy. When determining the composition of the Board, the Nomination Committee seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merits and contribution the selected candidates will bring to the Board.

During the year, the Nomination Committee held one meeting and also dealt with relevant matters by way of written resolutions. 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 structure, size and composition of the Board has also been reviewed. The attendance of committee members is recorded below:

Name of Director		**Attended/Eligible to Attend**
Mr. Wang Zhiyong *(Chairman)*	(appointed as Chairman on 29 August 2019)	1/1
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi, Kum, Estella		0/1

According to the Articles of Association, the Board has the power at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Prospective candidates are first considered by the Nomination Committee, candidates found to be suitable are then recommended to the Board for decision. In assessing the suitability of the proposed candidate, the Nomination Committee will take into consideration the candidate's qualification, ability and potential contributions to the Company. The following provisions set out in the terms of reference of the Nomination Committee are regarded as the key nomination criteria and principles of the Company for the nomination of directors:

- review the structure, size and composition (including but not limited to the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, with due regard for the benefits of diversity on the Board;

- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive.

Nomination Committee and Appointment of Directors (Continued)

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 director(s) will be 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 2019.

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 2019. 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 2019 and also reviewed the 2019 unaudited interim financial statements of the Company in accordance with the HKFRSs.

During the year, the fees paid to Deloitte in respect of audit services amounted to approximately HK$5,460,000 and non-audit services in relation to consultancy and review services amounted to approximately HK$2,510,000.

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. 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 manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established a clear risk management framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks. Operating units of the Group identify potential risks during their day-to-day operations and initiate actions to mitigate. In addition, management of the operating units perform risk assessment exercise periodically by conducting questionnaire and interviews, significant findings and associated action plans are recorded to the Group's risk register for monitoring and to ensure appropriate controls and mitigation actions are in place.

The Company appoints external consultant to perform internal audit function. External consultant conducts independent review twice a year on the adequacy and effectiveness of the Group's risk management and internal control systems and submits internal audit report to the Audit Committee half-yearly with findings and recommendations. The Audit Committee, will by taking into consideration the control issues identified by the external auditor in the course of statutory audit, formulate their opinion and report to the Board at the regular meetings.

The Group conducts its affairs with regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. The Group has also established business ethics guidelines for all employees which includes prohibition on using or disseminating of inside information.

During the year, the Board has engaged RSM Nelson Wheeler Consulting Limited ("RSM Nelson Wheeler") to perform two internal audit reviews to assess the effectiveness of the Group's risk management and internal control systems. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis.

The internal audit reports prepared by RSM Nelson Wheeler in accordance with the risk-based internal audit plan for the year of 2019 have been reviewed and discussed at the Audit Committee meetings held on 23 August 2019 and 23 April 2020, respectively. The Board together with the senior management have respectively on 29 August 2019 and 15 May 2020, 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 Group has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the reviews.

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.

The general meetings provide a useful forum for the shareholders of the Company to express their views and comments and the shareholders are encouraged to attend the general meetings of the Company to exchange views with the Board. The Chairman, directors, board committees' members and external auditor, where appropriate, are available to answer questions at the meetings. The annual general meeting of the Company was held on 5 June 2019, 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:

Name of Director		Attended/Eligible to Attend
Executive Directors		
Mr. Wang Zhiyong *(Chairman)*		1/1
Mr. Chen Yanhua *(General Manager)*	(appointed on 29 August 2019)	0/0
Dr. Li Xiaoguang	(appointed on 29 August 2019)	0/0
Mr. Zhuang Qifei	(appointed on 29 August 2019)	0/0
Mr. Cui Xiaofei	(appointed on 29 August 2019)	0/0
Dr. Cui Di	(resigned on 29 August 2019)	0/1
Dr. Yang Chuan	(resigned on 29 August 2019)	0/1
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		0/1
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	0/1
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi Kum, Estella		1/1
Mr. Wong Shiu Hoi, Peter		0/1
Dr. Loke Yu		1/1

Procedures for Convening of Extraordinary General Meeting on Requisition

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

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

Procedures for Putting Forward Proposals at General Meetings

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

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

CONSTITUTIONAL DOCUMENT

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their 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 59 to 63 of this Annual Report.

The board of directors of the Company (the "Board") herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of 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 2019 are set out in the consolidated statement of profit or loss on page 64.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

An interim dividend of HK3.26 cents per share (2018: HK3.26 cents per share) was paid on 28 October 2019. The Board recommends the payment of a final dividend of HK4.78 cents per share (2018: HK4.78 cents per share). Details are set out in Note 12 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which the declaration and payment of dividends shall be determined by the Board and subject to all applicable requirements under the Companies Ordinance and the articles of association of the Company.

In determining an appropriate basis for dividend payment, the Board will take into account, inter alia, the Group's financial performance, earnings and distributable reserves, future prospects, legal and tax considerations and other factors the Board deems appropriate.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount. The Company has no obligation to declare the distribution of dividends at any or from time to time.

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 178.

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 53 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out on pages 53 to 55, 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 2019 are set out in Note 34 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.

(i) On 23 November 2016, the Company entered into a facility agreement (the "2016 Facility Agreement") with a syndicate of banks as lenders (the "Banks") in respect of a HK$1,800 million term loan facility (the "Facility") for a period of 36 months commencing from the date of utilisation.

    Pursuant to the 2016 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 (津聯集團有限公司) ("Tsinlien").

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

    The Facility had been repaid in full on 9 December 2019.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES (Continued)

(ii) On 3 December 2019, the Company entered into a facility agreement (the "2019 Facility Agreement") with a syndicate of banks as lender (the "Lenders") in respect of a HK$2,000 million term loan facility for a period of 36 months commencing from the date of utilisation.

Pursuant to the 2019 Facility Agreement, it will be an event of default, inter alia, if: (a) the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government ceases to maintain a majority shareholding ownership directly or indirectly in the Company of more than 50%, or (b) the Company ceases to be under the direct or indirect management control of Tsinlien.

In 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 relevant 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 relevant 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 2019.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wang Zhiyong *(Chairman)*	
Mr. Chen Yanhua *(General Manager)*	(appointed on 29 August 2019)
Dr. Li Xiaoguang	(appointed on 29 August 2019)
Mr. Zhuang Qifei	(appointed on 29 August 2019)
Mr. Cui Xiaofei	(appointed on 29 August 2019)
Dr. Cui Di	(resigned on 29 August 2019)
Dr. Yang Chuan	(resigned on 29 August 2019)

Non-Executive Directors

Mr. Cheung Wing Yui, Edward	
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)

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

DIRECTORS (Continued)

In accordance with Article 92 of the Company's articles of association, Mr. Chen Yanhua, Dr. Li Xiaoguang, Mr. Zhuang Qifei and Mr. Cui Xiaofei will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's articles of association, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Mr. Wong Shiu Hoi, Peter will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed "*Biographical Details of Directors and Senior Management*" on pages 17 to 22.

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).

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. Wang Zhiyong and Mr. Chen Yanhua 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.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2019, none of the directors or chief executive of the Company 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 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 for the Securities Transactions by Directors of Listed Issuers.

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 Share Option Scheme was effective for a period of ten years from the date of adoption and had expired on 24 May 2017. All the outstanding share options granted and yet to be exercised under the Share Option Scheme lapsed upon the expiry of the exercise period on 24 May 2019. The principal terms of the Share Option Scheme are summarised as follows:

(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.

SHARE OPTION SCHEME (Continued)

(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.

SHARE OPTION SCHEME (Continued)

Details of options exercised, lapsed or cancelled under the Share Option Scheme during the period from 1 January 2019 to 24 May 2019 are as follows:

	Date of grant	Exercise price per share HK$	Number of share options: As at 1 January 2019	During the period: Exercised	During the period: Lapsed	During the period: Cancelled	As at 24 May 2019	Exercise period
Directors								
Wang Zhiyong	16/12/2009	5.750	900,000	–	900,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	2,800,000	–	2,800,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	2,800,000	–	2,800,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	2,100,000	–	2,100,000	–	–	20/12/2013 – 24/05/2019
Cheung Wing Yui, Edward	16/12/2009	5.750	300,000	–	300,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	–	100,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	–	100,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Cheng Hon Kwan	16/12/2009	5.750	300,000	–	300,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	–	100,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	–	100,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	–	300,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	–	100,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	–	100,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	–	300,000	–	–	03/12/2010 – 24/05/2019
	07/11/2011	3.560	100,000	–	100,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	–	100,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Cui Di	07/11/2011	3.560	300,000	–	300,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	800,000	–	800,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	1,800,000	–	1,800,000	–	–	20/12/2013 – 24/05/2019
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	–	300,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	100,000	–	100,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	100,000	–	100,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	100,000	–	100,000	–	–	20/12/2013 – 24/05/2019
Continuous contract employees	16/12/2009	5.750	900,000	–	900,000	–	–	16/12/2009 – 24/05/2019
	07/11/2011	3.560	900,000	–	900,000	–	–	11/11/2011 – 24/05/2019
	19/12/2012	4.060	900,000	–	900,000	–	–	19/12/2012 – 24/05/2019
	20/12/2013	5.532	3,500,000	–	3,500,000	–	–	20/12/2013 – 24/05/2019
Total			20,800,000	–	20,800,000	–	–	

Details of the accounting policy adopted for the share options are set out in Notes 2(p) and 32 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' INTERESTS IN SHARES

As at 31 December 2019, 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	673,759,143	62.81%
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	673,759,143	62.81%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,759,143	62.81%
Tsinlien	1&3	Directly beneficially interest and interest of controlled corporation	673,759,143	62.81%

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 2019, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited 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 Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at 31 December 2019, 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.

CONTINUING CONNECTED TRANSACTIONS

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

Master Sales Agreement

On 6 December 2018, 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 Tianjin Pharmaceutical and its subsidiaries (other than members of the Group, the "Tianjin Pharmaceutical Group") for a term from 1 January 2019 to 31 December 2021. 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 Products 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 profit margin ranging from 5% to 90%, and taking into account, among others, market conditions and the price of similar products offered by independent third party suppliers in the same region; and

(c) the Group may, based on the transaction quantity and payment terms, offer to the Tianjin Pharmaceutical Group the same discount which the Group offers to its independent third party customers.

For the year ended 31 December 2019, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB72,425,000 (equivalent to HK$82,207,000), which is within the annual cap of RMB90,000,000 (equivalent to HK$102,157,000).

As at the date of this report, 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 transactions were disclosed in the Company's announcement dated 6 December 2018.

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 disclosed above 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 14% 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	19%
—	five largest suppliers in aggregation	42%

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 2019, except for the deviations as disclosed in the Corporate Governance Report as set out on pages 37 to 48.

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

Wang Zhiyong
Chairman and Executive Director

Hong Kong, 15 May 2020

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)

OPINION

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 64 to 177, which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current reporting period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets relating to electrical and mechanical segment We identified the impairment assessment of non-current assets relating to electrical and mechanical segment as a key audit matter due to the fact that the electrical and mechanical segment incurred losses for the year ended 31 December 2019. The Group's management exercised significant judgement on the impairment testing, which requires the estimation of key assumptions in the preparation of cash flow projections and the discounted cash flow model. An impairment loss was recognised on property, plant and equipment relating to electrical and mechanical segment for the current year and further details are set out in Note 21(a) to the consolidated financial statements.	Our procedures in relation to the impairment assessment of non-current assets relating to electrical and mechanical segment included: • Obtaining an understanding of the process over the impairment assessment and evaluating the appropriateness of the key assumptions in the cash flow projections and the discounted cash flow model, including the discount rate, growth rate, budgeted sales and gross margin, by discussing with the management and with reference to our understanding of the industry and performing sensitivity analysis; and • Evaluating the historical accuracy of management's budgeting process by comparing historical financial performance of the electrical and mechanical segment with the original forecasts.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of an investment accounted for using the equity method — Tianjin Port Development Holdings Limited ("Tianjin Port")	
We identified the impairment assessment of an investment accounted for using the equity method — Tianjin Port as a key audit matter due to the fact that the carrying value of the Group's interest therein, including goodwill, exceeded the market value at the end of the reporting period. In estimating the value in use of the Group's interest, significant judgement has been exercised in the preparation of the discounted cash flows which require the estimation of key assumptions and inputs including discount rate, growth rates and expected dividend income. Further details of the impairment assessment are set out in Note 21(b) to the consolidated financial statements.	Our procedures in relation to the impairment assessment of an investment accounted for using the equity method — Tianjin Port included: • Obtaining an understanding of the process over the impairment assessment and evaluating the appropriateness of the key assumptions in the discounted cash flows including the discount rate, growth rate and expected dividend income by discussing with management about Tianjin Port's business prospects and with reference to the future outlook and relevant industry growth forecast and historical dividend pay-out pattern of Tianjin Port and performing sensitivity analysis; and • Evaluating the historical accuracy of the cash flow forecast by comparing historical financial performance of Tianjin Port to the actual result and obtaining explanation from management for any significant exceptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ms. Lau Pui Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 May 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	4	**4,549,058**	5,391,500
Cost of sales		**(2,949,200)**	(3,311,851)
Gross profit		**1,599,858**	2,079,649
Other income	5	**315,489**	330,945
Other (losses) gains, net	6	**(8,087)**	243,917
Selling and distribution expenses		**(861,661)**	(1,127,398)
General and administrative expenses		**(493,713)**	(539,572)
Other operating expenses		**(259,310)**	(344,087)
Finance costs	7	**(84,961)**	(86,227)
Share of net profit of associates and joint ventures accounted for using the equity method	17	**363,420**	318,872
Profit before tax		**571,035**	876,099
Tax expense	9	**(61,891)**	(86,630)
Profit for the year from continuing operations		**509,144**	789,469
Electricity business			
Gain on disposal of a subsidiary	8	**136,016**	—
(Loss) profit for the year	8	**(1,370)**	84,179
Profit for the year from electricity business		**134,646**	84,179
Profit for the year	10	**643,790**	873,648
Profit for the year attributable to owners of the Company			
— from continuing operations		**326,718**	392,500
— from electricity business		**134,723**	79,431
Profit for the year attributable to owners of the Company		**461,441**	471,931
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		**182,426**	396,969
— from electricity business		**(77)**	4,748
Profit for the year attributable to non-controlling interests		**182,349**	401,717
		643,790	873,648
		HK cents	HK cents
Earnings per share	13		
Basic			
— continuing operations and electricity business		**43.01**	43.99
— continuing operations		**30.46**	36.59
Diluted			
— continuing operations and electricity business		**43.01**	43.99
— continuing operations		**30.46**	36.59

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**643,790**	873,648
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income	19	**(392,636)**	(349,462)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		**60,657**	48,718
Share of other comprehensive income (expense) of investments accounted for using the equity method			
— fair value through other comprehensive income reserve		**11,918**	(8,323)
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences			
— the Group		**(180,566)**	(550,179)
— investments accounted for using the equity method		**(154,788)**	(168,626)
Other comprehensive expense for the year		**(655,415)**	(1,027,872)
Total comprehensive expense for the year		**(11,625)**	(154,224)
Attributable to:			
Owners of the Company		**125,390**	(149,062)
Non-controlling interests		**(137,015)**	(5,162)
		(11,625)	(154,224)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,859,418**	3,334,259
Land use rights	15	**612,740**	367,572
Investment properties	16	**239,487**	190,895
Investments accounted for using the equity method	17	**6,558,477**	5,352,577
Intangible assets	18	**9,846**	17,854
Deposits paid for acquisition of property, plant and equipment		**7,269**	8,719
Deferred tax assets	35	**47,213**	44,785
Equity instruments at fair value through other comprehensive income	19	**1,683,058**	2,114,590
Goodwill	20	**—**	1,427
		12,017,508	11,432,678
Current assets			
Inventories	22	**1,105,629**	910,342
Amounts due from investments accounted for using the equity method	23	**56,872**	229,118
Amount due from ultimate holding company	23	**299**	284
Amounts due from related companies	24	**65,788**	59,236
Contract assets	25	**280,979**	379,799
Trade receivables	26	**689,067**	544,730
Notes receivables	26	**437,757**	361,169
Other receivables, deposits and prepayments	26	**465,848**	581,721
Financial assets at fair value through profit or loss	27	**434,979**	463,186
Structured deposits	28	**33,482**	52,179
Entrusted deposits	29	**1,283,035**	457,160
Restricted bank balances	30	**329,669**	231,063
Time deposits with maturity over three months	30	**2,257,953**	1,888,560
Cash and cash equivalents	30	**3,097,288**	3,981,992
		10,538,645	10,140,539
Assets classified as held for sale — electricity business	8	**—**	1,428,237
		10,538,645	11,568,776
Total assets		**22,556,153**	23,001,454
EQUITY			
Owners of the Company			
Share capital	31	**5,136,285**	5,136,285
Reserves	33	**6,226,129**	6,180,714
		11,362,414	11,316,999
Non-controlling interests		**4,529,398**	4,783,834
Total equity		**15,891,812**	16,100,833

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	39	**7,348**	—
Bank borrowings	34	**1,985,417**	—
Deferred tax liabilities	35	**236,488**	301,663
		2,229,253	301,663
Current liabilities			
Trade payables	36	**878,762**	987,954
Notes payables	36	**196,818**	97,533
Other payables and accruals	37	**1,194,129**	1,335,665
Amounts due to related companies	24	**369,349**	434,446
Contract liabilities	38	**1,341,568**	1,154,721
Lease liabilities	39	**4,900**	—
Bank borrowings	34	**371,227**	2,156,606
Current tax liabilities		**78,335**	148,074
		4,435,088	6,314,999
Liabilities associated with assets classified as held for sale — electricity business	8	**—**	283,959
		4,435,088	6,598,958
Total liabilities		**6,664,341**	6,900,621
Total equity and liabilities		**22,556,153**	23,001,454
Net current assets		**6,103,557**	4,969,818
Total assets less current liabilities		**18,121,065**	16,402,496

The consolidated financial statements on pages 64 to 177 were approved and authorised for issue by the board of directors of the Company on 15 May 2020 and are signed on its behalf by:

Wang Zhiyong
Director

Chen Yanhua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Owners of the Company					
	Notes	Share capital HK$'000	Other reserves HK$'000 (Note 33)	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018		5,136,285	1,008,147	5,403,042	11,547,474	4,945,112	16,492,586
Profit for the year		–	–	471,931	471,931	401,717	873,648
Other comprehensive expense for the year		–	(620,993)	–	(620,993)	(406,879)	(1,027,872)
Total comprehensive (expense) income for the year		–	(620,993)	471,931	(149,062)	(5,162)	(154,224)
Dividends	12	–	–	(83,783)	(83,783)	(64,899)	(148,682)
Disposal of subsidiaries	48	–	(65,882)	65,882	–	(92,997)	(92,997)
Transfer between reserves		–	48,903	(48,903)	–	–	–
Others		–	2,370	–	2,370	1,780	4,150
		–	(14,609)	(66,804)	(81,413)	(156,116)	(237,529)
At 31 December 2018		5,136,285	372,545	5,808,169	11,316,999	4,783,834	16,100,833
Profit for the year		**–**	**–**	**461,441**	**461,441**	**182,349**	**643,790**
Other comprehensive expense for the year		**–**	**(336,051)**	**–**	**(336,051)**	**(319,364)**	**(655,415)**
Total comprehensive (expense) income for the year		**–**	**(336,051)**	**461,441**	**125,390**	**(137,015)**	**(11,625)**
Dividends	12	**–**	**–**	**(86,250)**	**(86,250)**	**(51,430)**	**(137,680)**
Disposal of a subsidiary	8	**–**	**(228,189)**	**228,189**	**–**	**(65,813)**	**(65,813)**
Transfer between reserves		**–**	**39,813**	**(39,813)**	**–**	**–**	**–**
Transfer upon lapse of share options		**–**	**(21,753)**	**21,753**	**–**	**–**	**–**
Others		**–**	**6,275**	**–**	**6,275**	**(178)**	**6,097**
		–	**(203,854)**	**123,879**	**(79,975)**	**(117,421)**	**(197,396)**
At 31 December 2019		**5,136,285**	**(167,360)**	**6,393,489**	**11,362,414**	**4,529,398**	**15,891,812**

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	43	**(401,593)**	(321,056)
PRC income tax paid		**(130,164)**	(78,448)
Interest paid		**(84,646)**	(89,481)
NET CASH USED IN OPERATING ACTIVITIES		**(616,403)**	(488,985)
INVESTING ACTIVITIES			
Addition of entrusted deposits		**(1,574,877)**	(945,498)
Addition from structured deposits		**(509,793)**	(1,355,107)
Disposal of a subsidiary/subsidiaries	8 & 48	**(229,311)**	217,754
Purchase of property, plant and equipment/land use rights		**(158,134)**	(409,851)
Addition of restricted bank balances		**(98,606)**	(146,223)
Increase in time deposits with maturity over three months		**(19,955)**	(949,245)
Addition of entrusted loans		**—**	(35,545)
Proceeds from redemption of entrusted deposits		**739,387**	1,120,853
Proceeds from redemption of structured deposits		**528,490**	1,300,948
Dividends received from associates and joint ventures		**298,482**	365,673
Interest received		**185,237**	189,708
Repayment from (advance to) investments accounted for using the equity method		**169,977**	(1,931)
Proceeds from redemption of an entrusted loan		**34,052**	35,545
Dividend received from equity instruments at fair value through other comprehensive income		**16,511**	17,836
Proceeds from disposal of property, plant and equipment/land use rights		**3,737**	77,922
Disposal of investments accounted for using the equity method		**1,703**	—
NET CASH USED IN INVESTING ACTIVITIES		**(613,100)**	(517,161)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(2,158,683)**	(407,035)
Dividends paid		**(137,680)**	(148,682)
Repayment of lease liabilities		**(8,327)**	—
Drawdown of bank borrowings		**2,269,904**	362,559
NET CASH USED IN FINANCING ACTIVITIES		**(34,786)**	(193,158)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,264,289)**	(1,199,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,483,392**	5,898,551
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(121,815)**	(215,855)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**3,097,288**	4,483,392
Represented by:			
Cash and cash equivalents from continuing operations		**3,097,288**	3,981,992
Cash and cash equivalents classified as assets held for sale — electricity business	8	**—**	501,400
		3,097,288	4,483,392

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 accounted for using the equity method 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 46(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") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "Companies Ordinance").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and 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.

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 "Leases" (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the effect recognised at the date of initial application, 1 January 2019 and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised additional lease liabilities of HK$13,311,000 and right-of-use assets of HK$13,311,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii).

The Group reclassified leasehold land in "property, plant and equipment" of HK$261,915,000 to right-of-use assets at 1 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.13% per annum. No adjustments on the present value of these lease liabilities was recognised as the impact was not material.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	**13,757**
Less: Recognition exemption — leases with short remaining term	**(446)**
Lease liabilities relating to operating leases recognised upon application as of HKFRS 16 at 1 January 2019	**13,311**
Analysed as	
Current	**8,411**
Non-current	**4,900**
	13,311

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**13,311**
Land use rights	(i)	**629,487**
		642,798
By class:		
Leasehold land (presented in land use rights)		**629,487**
Leased properties (presented in property, plant and equipment)		**13,311**
		642,798

notes:

(i) Upon application of HKFRS 16, the land use rights amounting to HK$367,572,000 and leasehold land included in "property, plant and equipment" amounting to HK$261,915,000 were classified as right-of-use assets. Land use rights are presented as a separate line item on the consolidated statement of financial position.

(ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits paid and right-of-use assets as the management considers the impact is not material.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits received and advance lease payments as the management considers the impact is not material.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 "Leases" (Continued)

As a lessor (Continued)

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Property, plant and equipment	3,334,259	(248,604)	**3,085,655**
Land use rights	367,572	261,915	**629,487**
Current liability			
Lease liabilities	—	8,411	**8,411**
Non-current liability			
Lease liabilities	—	4,900	**4,900**

note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

No adjustments were recognised to the opening retained earnings at the date of initial application as the differences are not material.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and "the Amendments to Reference to the Conceptual Framework" in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and "the Amendments to Reference to the Conceptual Framework" in HKFRS Standards (Continued)

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Significant accounting policies

The principal accounting policies are set out below.

(a) Group accounting

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

Acquisitions of businesses, other than business combination 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

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

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 (see the accounting policy below);

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(ii) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. 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

Changes in the Group's interests in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(iii) 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. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(iii) Associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, 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.

(iv) 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(iv) Non-controlling interests (Continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(v) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) 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 (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU (or group of CGUs) or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described above.

(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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(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 retranslation 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 at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary equity instruments at fair value through other comprehensive income 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(d) Property, plant and equipment

Buildings comprise mainly hotel and office premises. All property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

The assets' depreciation method, residual values and estimated 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(e) Land use rights

When a lease includes both land and building elements, the entire lease payments is allocated between the leasehold land and building elements in proportion to the relative fair values at initial recognition.

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 classified as right-of-use assets (upon application of HKFRS 16) and is presented as "land use rights" in the consolidated statement of financial position 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 property, plant and equipment.

(f) Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (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 property 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 acquired in a business combination with finite useful lives are reported 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.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(h) Impairment losses on property, plant and equipment, right-of-use assets, land use rights and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, land use rights and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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.

The recoverable amount of property, plant and equipment, right-of-use assets, land use rights and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 (or a CGU) 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 a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at fair value through other comprehensive income

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve (included in fair value through other comprehensive income reserves); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses) gains, net" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss model on financial assets (including amounts due from investments accounted for using the equity method, amount due from ultimate holding company, amounts due from related companies, contract assets, trade receivables, notes receivables, other receivables, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events that are possible within twelve months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime expected credit losses for trade receivables and contract assets. Assessments are made collectively based on a provision matrix with appropriate groupings with reference to the Group's historical credit loss experience. The provision matrix is also adjusted for factors including general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12-month expected credit losses, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit losses. The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of expected credit losses reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the expected credit losses are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where expected credit losses are measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the collective basis:

- Nature of assets (i.e. the Group's trade receivables and contract assets are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value through other comprehensive income reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(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 determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(k) 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.

(l) 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.

(m) 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.

(n) Trade payables, notes payables, other payables, amounts due to related companies

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (as disclosed above).

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(o) Current and deferred income tax (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Employee benefits

(i) Retirement benefit costs and termination benefits

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 retirement benefit plans. All these contributions are based on a certain percentage of the staff's salary. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(iii) 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 equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). 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 based on the assessment of all relevant 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(q) Revenue from contracts with customers

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(q) Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Leases (upon application of HKFRS 16)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of motor vehicles and land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(s) Leases (upon application of HKFRS 16) (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets for leased properties in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned, and right-of-use assets for leasehold land as a separate line item "land use rights" on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(s) Leases (upon application of HKFRS 16) (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

As a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are operating leases.

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

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(t) Leases (prior to 1 January 2019)

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.

(u) 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.

(v) Contingent liabilities

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

(w) 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(w) Government grants (Continued)

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.

(x) 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 phase 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 assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

(y) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(y) Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Revenue recognition from manufacture and sales of presses and mechanical equipment at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to manufacture and sales of presses and mechanical equipment create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration indicators such as precedential cases. Accordingly, the manufacture and sales of presses and mechanical equipment is considered to be performance obligation satisfied at a point in time.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty

(a) Estimated impairment of non-current assets of the electrical and mechanical segment

The electrical and mechanical segment incurred losses for the year ended 31 December 2019. The impairment assessments had been carried out as to its corresponding non-current assets. Determining whether property, plant and equipment, land use rights (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 and to which goodwill has 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 of the respective CGU. Where the actual cash flows are less than expected, a material impairment loss may arise. Further details are set out in Note 21(a).

(b) Investments accounted for using the equity method

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

As at 31 December 2019, the carrying value of the Group's interest in a major listed investment accounted for using the equity method, Tianjin Port (as defined in Note 49), exceeded the market value (based on bid price quoted in an active market at 31 December 2019) of the Group's attributable holding therein by approximately HK$2,366,292,000 (2018: approximately HK$2,312,900,000). The carrying value of the Group's interest in Tianjin Port is approximately HK$3,387,904,000, net of impairment loss of approximately HK$300,000,000 (2018: approximately HK$3,386,239,000, net of impairment loss of approximately HK$300,000,000). Management has assessed the value in use of the Group's interest based on discounted cash flows. This assessment involves significant assumptions including discount rates, growth rates and expected dividend income. When the value in use is less than expected, a further impairment loss would arise. Further details are set out in Note 21(b).

(c) 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(d) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2019 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 value 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.

(e) Recoverability of deferred tax assets

As at 31 December 2019, deferred tax assets of HK$47,213,000 (2018: HK$44,785,000) in relation to tax losses and other deductible temporary differences were recognised in the consolidated statement of financial position after offsetting certain deferred tax liabilities as set out in Note 35. 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) Provision of expected credit losses for trade receivables and contract assets

The Group uses provision matrix to calculate expected credit losses for trade receivables and contract assets collectively. The provision rates are based on comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of expected credit losses are sensitive to changes in estimates. The information about the expected credit losses and the Group's trade receivables and contract assets are disclosed in Notes 44, 26 and 25, respectively.

(g) Machinery construction contracts

The Group recognises revenue from manufacture and sales of hydroelectric equipment and large scale pump units according to the management's estimation of the final outcome of the projects as well as the progress of work. Notwithstanding that the management closely reviews and revises the estimates of both contract revenue and costs for the machinery 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 construction contract cost estimated adjustments which were charged to profit or loss for the corresponding year are not material.

(h) Fair value measurements and valuation processes

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK$1,584,923,000 as at 31 December 2019 (2018: HK$2,029,492,000) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are disclosed in Note 44.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(h) Fair value measurements and valuation processes (Continued)

Some of the Group's assets 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.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers (the "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 water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area, the PRC, while the result of electricity business of this segment is contributed by TEDA Power (as defined in Note 49), an investment accounted for using the equity method of the Group.

(b) Pharmaceutical

This segment derives revenue from manufacture and sales of pharmaceutical products as well as design, manufacture and printing for pharmaceutical packaging in the PRC, while the result of the provision of pharmaceutical research and development services of this segment is contributed by Research Institute (as defined in Note 49), an investment accounted for using the equity method of the 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 sales 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 investment accounted for using the equity method of the Group, Tianjin Port which provides port services in Tianjin.

(f) Elevators and escalators

The result of this segment is contributed by an investment accounted for using the equity method of the Group, Otis China (as defined in Note 49), which manufactures and sells elevators and escalators.

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

	Continuing operations					Electricity business	
Segments	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Sub-total HK$'000	Utilities – electricity HK$'000	Total HK$'000
Types of goods or services							
Utilities							
Water	349,580	–	–	–	349,580	–	349,580
Heat and thermal power	1,062,999	–	–	–	1,062,999	–	1,062,999
Electricity	–	–	–	–	–	499,190	499,190
	1,412,579	–	–	–	1,412,579	499,190	1,911,769
Pharmaceutical							
Manufacture and sales of pharmaceutical products	–	1,791,596	–	–	1,791,596	–	1,791,596
Design, manufacture and printing for pharmaceutical packaging	–	111,763	–	–	111,763	–	111,763
	–	1,903,359	–	–	1,903,359	–	1,903,359
Hotel	–	–	105,835	–	105,835	–	105,835
Electrical and mechanical							
Manufacture and sales of presses and mechanical equipment	–	–	–	820,261	820,261	–	820,261
Manufacture and sales of hydroelectric equipment and large scale pump units	–	–	–	307,024	307,024	–	307,024
	–	–	–	1,127,285	1,127,285	–	1,127,285
	1,412,579	1,903,359	105,835	1,127,285	4,549,058	499,190	5,048,248
Timing of revenue recognition							
A point in time	1,412,579	1,903,359	–	820,261	4,136,199	499,190	4,635,389
Over time	–	–	105,835	307,024	412,859	–	412,859
	1,412,579	1,903,359	105,835	1,127,285	4,549,058	499,190	5,048,248

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2018

Segments	Continuing operations Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Sub-total HK$'000	Electricity business Utilities – electricity HK$'000	Total HK$'000
Types of goods or service							
Utilities							
Water	380,481	–	–	–	380,481	–	380,481
Heat and thermal power	1,063,581	–	–	–	1,063,581	–	1,063,581
Electricity	–	–	–	–	–	2,494,362	2,494,362
	1,444,062	–	–	–	1,444,062	2,494,362	3,938,424
Pharmaceutical							
Manufacture and sales of pharmaceutical products	–	2,357,195	–	–	2,357,195	–	2,357,195
Design, manufacture and printing for pharmaceutical packaging	–	98,198	–	–	98,198	–	98,198
Provision of research and development service	–	77,984	–	–	77,984	–	77,984
Other pharmaceutical related operations	–	41,432	–	–	41,432	–	41,432
	–	2,574,809	–	–	2,574,809	–	2,574,809
Hotel	–	–	127,739	–	127,739	–	127,739
Electrical and mechanical							
Manufacture and sales of presses and mechanical equipment	–	–	–	981,392	981,392	–	981,392
Manufacture and sales of hydroelectric equipment and large scale pump units	–	–	–	263,498	263,498	–	263,498
	–	–	–	1,244,890	1,244,890	–	1,244,890
	1,444,062	2,574,809	127,739	1,244,890	5,391,500	2,494,362	7,885,862
Timing of revenue recognition							
A point in time	1,444,062	2,496,825	–	981,392	4,922,279	2,494,362	7,416,641
Over time	–	77,984	127,739	263,498	469,221	–	469,221
	1,444,062	2,574,809	127,739	1,244,890	5,391,500	2,494,362	7,885,862

4. SEGMENT INFORMATION (Continued)

Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

- Revenue from sales of water, heat and thermal power are recognised at a point in time when the control of which has been transferred to customers with reference to the meter readings of actual utilisation.

- Revenue from manufacture and sales of pharmaceutical products are recognised at a point in time when the control of the goods has been transferred upon delivery.

- Revenue from provision of pharmaceutical research and development services and transfer of technical know-how to customers are recognised over time using the output method.

- Revenue from hotel operation, which mainly represents room rentals and other ancillary services, is recognised as revenue over the stay of guests and upon services provided, respectively.

- Revenue from manufacture and sales of presses and mechanical equipment are recognised at a point in time when the control of the goods has been transferred to customers upon delivery.

- Manufacture and sales of hydroelectric equipment and large scale pump units are recognised as revenue over the construction period based on the progress of work that creates or enhances such equipment by using input method.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2019

	Continuing operations							Electricity business	
	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	Sub-total HK$'000	Utilities – electricity HK$'000	Total operating segments HK$'000
Segment revenue – external customers	1,412,579	1,903,359	105,835	1,127,285	–	–	4,549,058	499,190	5,048,248
Operating profit (loss) before interest	38,861	258,922	16,307	(39,754)	–	–	274,336	(2,992)	271,344
Interest income	24,436	34,803	32	6,474	–	–	65,745	2,234	67,979
Gain on disposal of a subsidiary	–	–	–	–	–	–	–	136,016	136,016
Impairment loss on property, plant and equipment	–	(14,347)	–	(58,915)	–	–	(73,262)	–	(73,262)
Impairment loss on intangible assets	–	(7,491)	–	–	–	–	(7,491)	–	(7,491)
Finance costs	–	(5,881)	–	(15,956)	–	–	(21,837)	–	(21,837)
Share of net profit of associates and joint ventures accounted for using the equity method	14,354	2,685	–	–	81,742	264,729	363,510	–	363,510
Profit (loss) before tax	77,651	268,691	16,339	(108,151)	81,742	264,729	601,001	135,258	736,259
Tax (expense) credit	(7,543)	(40,734)	(2,681)	1,604	–	–	(49,354)	(612)	(49,966)
Segment results – profit (loss) for the year	70,108	227,957	13,658	(106,547)	81,742	264,729	551,647	134,646	686,293
Non-controlling interests	(5,028)	(147,907)	–	21,505	–	(45,692)	(177,122)	77	(177,045)
Profit (loss) attributable to owners of the Company	65,080	80,050	13,658	(85,042)	81,742	219,037	374,525	134,723	509,248
Segment results – profit (loss) for the year includes:									
Depreciation and amortisation	41,890	75,117	14,930	72,783	–	–	204,720	17,737	222,457

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Continuing operations							Electricity business	
	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	Sub-total HK$'000	Utilities – electricity HK$'000	Total operating segments HK$'000
Segment revenue – external customers	1,444,062	2,574,809	127,739	1,244,890	–	–	5,391,500	2,494,362	7,885,862
Operating profit (loss) before interest	62,725	255,127	33,936	(82,341)	–	–	269,447	91,637	361,084
Interest income	11,842	59,313	13	6,053	–	–	77,221	8,895	86,116
Gain on disposal of subsidiaries	–	622,323	–	–	–	–	622,323	–	622,323
Impairment loss on property, plant and equipment	–	(2,544)	–	(40,506)	–	–	(43,050)	–	(43,050)
Impairment loss on investments accounted for using the equity method	–	(8,711)	–	–	(300,000)	–	(308,711)	–	(308,711)
Finance costs	–	(16,034)	–	(14,611)	–	–	(30,645)	–	(30,645)
Share of net (loss) profit of associates and joint ventures accounted for using the equity method	–	(9,739)	–	–	90,330	241,969	322,560	–	322,560
Profit (loss) before tax	74,567	899,735	33,949	(131,405)	(209,670)	241,969	909,145	100,532	1,009,677
Tax expense	(5,461)	(48,521)	(5,593)	(7,284)	–	–	(66,859)	(16,353)	(83,212)
Segment results – profit (loss) for the year	69,106	851,214	28,356	(138,689)	(209,670)	241,969	842,286	84,179	926,465
Non-controlling interests	(6,150)	(361,086)	–	15,723	–	(41,764)	(393,277)	(4,748)	(398,025)
Profit (loss) attributable to owners of the Company	62,956	490,128	28,356	(122,966)	(209,670)	200,205	449,009	79,431	528,440
Segment results – profit (loss) for the year includes:									
Depreciation and amortisation	45,119	111,165	15,219	69,734	–	–	241,237	51,878	293,115

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	2019 HK$'000	2018 HK$'000
Reconciliation of profit for the year		
Total reportable segments	**686,293**	926,465
Corporate and others (note ii)	**(42,503)**	(52,817)
Profit for the year	**643,790**	873,648

notes:

(i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK$349,580,000 and HK$1,062,999,000 respectively (2018: HK$380,481,000 and HK$1,063,581,000 respectively).

The above revenue included government supplemental income of HK$203,670,000 (2018: HK$170,553,000).

(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

	Continuing operations						**Electricity business**			
	Utilities HK$'000	**Pharmaceutical HK$'000**	**Hotel HK$'000**	**Electrical and mechanical HK$'000**	**Port services HK$'000**	**Elevators and escalators HK$'000**	**Utilities – electricity HK$'000**	**Total reportable segments HK$'000**	**Corporate and others HK$'000 (note)**	**Total HK$'000**
As at 31 December 2019										
Segment assets	**3,295,826**	**7,527,795**	**510,979**	**2,605,432**	**3,387,904**	**746,406**	**–**	**18,074,342**	**4,481,811**	**22,556,153**
Segment liabilities	**1,512,627**	**1,049,773**	**11,891**	**1,904,355**	**–**	**–**	**–**	**4,478,646**	**2,185,695**	**6,664,341**

	Continuing operations						Electricity business			
	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Utilities – electricity HK$'000	Total reportable segments HK$'000	Corporate and others HK$'000 (note)	Total HK$'000
As at 31 December 2018										
Segment assets	2,125,314	7,997,889	532,572	2,555,404	3,386,239	760,006	1,428,237	18,785,661	4,215,793	23,001,454
Segment liabilities	1,533,294	1,258,997	11,793	1,844,470	–	–	283,959	4,932,513	1,968,108	6,900,621

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 the attributable 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, equity instruments at fair value through other comprehensive income, certain investments accounted for using the equity method and bank borrowings.

4. SEGMENT INFORMATION (Continued)

Other segment information

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

	2019 HK$'000	2018 HK$'000
The PRC	4,443,223	5,263,761
Hong Kong	105,835	127,739
Continuing operations	4,549,058	5,391,500
Electricity business — the PRC	499,190	2,494,362
	5,048,248	7,885,862

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

	2019 HK$'000	2018 HK$'000
The PRC	9,832,222	8,811,114
Hong Kong	455,015	462,189
	10,287,237	9,273,303

5. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest income	173,380	190,851
Government grants	37,491	28,763
Dividend income from equity instruments at fair value through other comprehensive income held at the end of the reporting period	16,511	17,836
Rental income, net of negligible outgoings	8,321	6,390
Sales of scrap materials	4,707	4,914
Sundries	75,079	82,191
	315,489	330,945

6. OTHER (LOSSES) GAINS, NET

	2019 HK$'000	2018 HK$'000
Continuing operations		
Impairment loss on investments accounted for using the equity method (Note 17)	**–**	(308,711)
Impairment loss on intangible assets (Note 18)	**(7,491)**	–
Impairment loss on property, plant and equipment (Note 14)	**(73,262)**	(43,050)
Net (loss) gain on disposal/written off of property, plant and equipment	**(261)**	1,044
Net exchange loss	**(22,994)**	(43,049)
Reversal of (allowance for) impairment losses (note):		
— Trade receivables	**62,521**	53,955
— Contract assets	**(13,630)**	(43,406)
— Other receivables	**(258)**	997
Gain on disposal of subsidiaries (Note 48)	**–**	622,323
Increase in fair value of investment properties (Note 16)	**15,667**	28,453
Net fair value gain (loss) on financial assets held for trading		
— listed	**200**	5,543
— unlisted	**31,421**	(30,182)
	(8,087)	243,917

note: Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in Note 44(b).

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest expenses on bank borrowings	**83,889**	84,936
Interest expenses on amount due to a related company (Note 46(b))	**1,038**	4,545
Interest on lease liabilities	**315**	–
	85,242	89,481
Less: Amounts capitalised on construction in progress (included in property, plant and equipment)	**(281)**	(3,254)
	84,961	86,227

8. ELECTRICITY BUSINESS

On 6 December 2018, TEDA Power and Tsinlien Electric (as defined in Note 47), a non-wholly owned subsidiary of the Group, entered into the absorption and merger agreement, pursuant to which TEDA Power would absorb and merge with Tsinlien Electric, and TEDA Power would be the surviving company upon completion of the merger and would take up and assume all the assets, liabilities and business operations of Tsinlien Electric, which would then be deregistered and cease to exist as a legal entity (the "Merger"). Upon completion of the Merger, the equity interest of TEDA Power is owned as to approximately 47.09% and 52.91% by the Group and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), respectively.

At 31 December 2018, the assets and liabilities attributable to Tsinlien Electric that were expected to be merged into TEDA Power within 12 months from the end of that reporting period, were classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position.

The Merger was completed on 22 April 2019 and the Group recognised a disposal gain of HK$136,016,000. The Group's 47.09% equity interest in TEDA Power was recognised as an investment accounted for using the equity method with the amount of HK$1,284,683,000.

The net assets of Tsinlien Electric at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities:	
Property, plant and equipment	**465,585**
Land use rights	**12,243**
Deferred tax assets	**30,950**
Inventories	**23**
Amounts due from related parties	**149,513**
Trade and other receivables	**516,378**
Cash and cash equivalents	**229,311**
Trade and other payables	**(99,503)**
Contract liabilities	**(66,394)**
Dividend payable	**(52,378)**
Current tax liabilities	**(18,706)**
Net assets disposed of	**1,167,022**
Gain on disposal of a subsidiary:	
Net assets disposed of	**(1,167,022)**
An investment accounted for using the equity method	**1,284,683**
Non-controlling interests	**65,813**
Capital gain tax provision	**(45,870)**
Transaction costs	**(1,588)**
Gain on disposal	**136,016**
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	**(229,311)**

8. ELECTRICITY BUSINESS (continued)

The results for the period/year from electricity business, which have been presented as a discontinued operation in the consolidated statement of profit or loss, are set out below:

	For the period from 1 January to 22 April 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**499,190**	2,494,362
Cost of sales	**(497,510)**	(2,333,653)
	1,680	160,709
Other income	**3,754**	9,491
Other gains, net	**–**	16,625
Selling and distribution expenses	**(3,732)**	(19,899)
General and administrative expenses	**(2,414)**	(60,776)
Other operating expenses	**(46)**	(5,618)
(Loss) profit before tax	**(758)**	100,532
Tax expense	**(612)**	(16,353)
(Loss) profit for the period/year	**(1,370)**	84,179
Attributable to:		
Owner of the Company	**(1,293)**	79,431
Non-controlling interests	**(77)**	4,748
	(1,370)	84,179
(Loss) profit for the period/year from electricity business includes:		
Auditor's remuneration	**41**	949

During the period from 1 January 2019 to 22 April 2019, the electricity business contributed HK$630 million (2018: HK$269 million) to the net cash outflows in operating activities and contributed HK$12 million (2018: HK$217 million) to net cash outflows in investing activities.

8. ELECTRICITY BUSINESS (continued)

The major classes of assets and liabilities of the electricity business as at 31 December 2018, which had been presented separately in the consolidated statement of financial position, were as follows:

	HK$'000
Property, plant and equipment	470,610
Land use rights	12,757
Deferred tax assets	30,162
Inventories	22
Trade receivables (note)	49,611
Other receivables, deposits and prepayments	14,237
Time deposits with maturity over three months	349,438
Cash and cash equivalents	501,400
Total assets classified as held for sale	1,428,237
Trade and other payables and total liabilities associated with assets classified as held for sale	(283,959)

note: As at 31 December 2018, trade receivables, net of impairment losses, of HK$47,496,000 and HK$2,115,000 were aged within 30 days and over 1 year, respectively.

During the year ended 31 December 2018, cumulative amount of HK$109,737,000 relating to the electricity business classified as held for sale had been recognised in other comprehensive income and included in equity.

9. TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000
Continuing operations		
Current taxation		
PRC Enterprise Income Tax ("EIT")	**62,598**	76,182
Deferred taxation (Note 35)	**(707)**	10,448
	61,891	86,630

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2018: 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.

9. TAX EXPENSE (continued)

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:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Profit before tax	**571,035**	876,099
Less: share of net profit of associates and joint ventures accounted for using the equity method	**(363,420)**	(318,872)
	207,615	557,227
Calculated at applicable tax rates	**50,381**	135,523
Income not subject to taxation	**(53,109)**	(180,610)
Expenses not deductible for taxation purposes	**48,482**	107,706
Underprovision (overprovision) in prior years	**2,060**	(1,762)
Utilisation of tax losses previously not recognised	**—**	(608)
Tax losses not recognised	**14,077**	26,381
Tax expense	**61,891**	86,630

The weighted average applicable tax rate is 24.27% (2018: 24.32%).

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 11)	**590,630**	763,470
Cost of inventories recognised as an expense	**2,167,011**	2,296,775
Depreciation		
— charged to cost of sales	**156,357**	151,979
— charged to administrative expenses	**31,480**	68,703
— charged to selling expenses	**158**	993
— charged to other operating expenses	**27,779**	23,838
Depreciation of land use rights	**8,683**	8,287
Amortisation of intangible assets	**248**	259
Short-term lease expenses on		
— plants, pipelines and networks	**59,557**	70,949
— land and buildings	**9,260**	10,264
Auditor's remuneration	**11,413**	11,297
Research and development costs charged to other operating expenses	**235,477**	313,988

11. EMPLOYEES' BENEFITS EXPENSE

	2019 **HK$'000**	2018 HK$'000
Wages, salaries, bonus and social security costs recognised under continuing operations	**590,630**	763,470

(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 Hong Kong Companies Ordinance are as follows:

For the year ended 31 December 2019

Name of director	Fees HK$'000	Salaries and other benefits(i) HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payment expense HK$'000	Total HK$'000
Executive Directors:						
Wang Zhiyong (i)	–	–	–	–	–	–
Chen Yanhua (ii), (iii)	–	–	–	–	–	–
Li Xiaoguang (iii)	–	385	–	–	–	385
Zhuang Qifei (ii), (iii)	–	–	–	–	–	–
Cui Xiaofei (ii), (iii)	–	–	–	–	–	–
Cui Di (ii), (iv)	–	–	–	–	–	–
Yang Chuan (iv), (vi)	–	480	–	–	–	480
Non-Executive Directors:						
Cheung Wing Yui, Edward	318	60	–	–	–	378
Chan Ching Har, Eliza	318	60	–	–	–	378
Independent Non-Executive Directors:						
Cheng Hon Kwan	382	60	–	–	–	442
Mak Kwai Wing, Alexander	382	60	–	–	–	442
Ng Yi Kum, Estella	382	60	–	–	–	442
Wong Shiu Hoi, Peter	382	60	–	–	–	442
Loke Yu	382	60	–	–	–	442
	2,546	1,285	–	–	–	3,831

11. EMPLOYEES' BENEFITS EXPENSE (continued)

(a) Emoluments of directors and chief executive (continued)

For the year ended 31 December 2018

Name of director	Fees HK$'000	Salaries and other benefits(i) HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payment expense HK$'000	Total HK$'000
Executive Directors:						
Wang Zhiyong (ii)	–	–	–	–	–	–
Cui Di (ii), (iv)	–	–	–	–	–	–
Yang Chuan (iv), (vi)	–	838	–	–	–	838
Zeng Xiaoping (ii), (v)	–	–	–	–	–	–
Non-Executive Directors:						
Cheung Wing Yui, Edward	318	60	–	–	–	378
Chan Ching Har, Eliza	318	60	–	–	–	378
Independent Non-Executive Directors:						
Cheng Hon Kwan	382	60	–	–	–	442
Mak Kwai Wing, Alexander	382	60	–	–	–	442
Ng Yi Kum, Estella	382	60	–	–	–	442
Wong Shiu Hoi, Peter	382	60	–	–	–	442
Loke Yu	382	60	–	–	–	442
	2,546	1,258	–	–	–	3,804

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

(ii) During the years ended 31 December 2019 and 2018, the director's emoluments were borne by Tianjin Tsinlien Investment Holding Co., Ltd., (天津津聯投資控股有限公司).

(iii) Appointed on 29 August 2019.

(iv) Resigned on 29 August 2019.

(v) Retired on 31 July 2018.

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

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

(viii) 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 2019 and 2018.

(ix) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. EMPLOYEES' BENEFITS EXPENSE (continued)

(b) Five highest paid individuals

The emoluments of the five individuals with the highest emoluments for the years ended 31 December 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**5,499**	6,686
Discretionary bonuses	**1,161**	1,086
Retirement scheme contributions	**169**	186
	6,829	7,958

The five highest paid individuals for both years does not include any directors and their emoluments are shown in Note 11(a) above. The emoluments of the five highest paid individuals fell within the following bands:

	2019	2018
Emolument bands (HK$)		
1,000,001 — 1,500,000	**3**	2
1,500,001 — 2,000,000	**2**	2
2,000,001 — 2,500,000	**—**	1
	5	5

(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:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**3,678**	4,379
Discretionary bonuses	**448**	748
Retirement scheme contributions	**48**	54
	4,174	5,181

11. EMPLOYEES' BENEFITS EXPENSE (continued)

(c) Emoluments of senior management (continued)

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

	2019	2018
Emolument bands (HK$)		
1,000,001 — 2,000,000	**3**	2
2,000,001 — 3,000,000	**—**	1
	3	3

12. DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
Dividends recognised as distribution during the year		
— 2019 interim dividend, paid — HK3.26 cents per share (2018: HK3.26 cents per share)	**34,972**	34,972
— 2018 final dividend, paid — HK4.78 cents per share (2017: HK4.55 cents per share)	**51,278**	48,811
	86,250	83,783

A final dividend of HK4.78 cents (2018: HK4.78 cents) per share for the year ended 31 December 2019, amounting to HK$51,278,400 (2018: HK$51,278,400), 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

For continuing operations and electricity business

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

Earnings

	2019 **HK$'000**	2018 HK$'000
Profit attributable to owners of the Company for the purposes of basic earnings per share — from continuing operations and electricity business	**461,441**	471,931
Effect of dilutive earnings per share — adjustment in relation to share options issued by an investment accounted for using the equity method of the Group	**–**	(6)
Profit attributable to owners of the Company for the purpose of diluted earnings per share — from continuing operations and electricity business	**461,441**	471,925

Number of shares

	Thousand	Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,072,770**	1,072,770

13. EARNINGS PER SHARE (continued)

For continuing operations

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

Earnings

	2019 HK$'000	2018 HK$'000
Profit attributable to owners of the Company for the purposes of basic earnings per share — from continuing operations	**326,718**	392,500
Effect of dilutive earnings per share — adjustment in relation to share options issued by an investment accounted for using the equity method of the Group	**–**	(6)
Profit attributable to owners of the Company for the purpose of diluted earnings per share — from continuing operations	**326,718**	392,494

Number of shares

	Thousand	Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,072,770**	1,072,770

note: The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the exercise of the share options issued by the Company and an investment accounted for using the equity method of the Group because the exercise price of those share options was higher than the average market price of shares of the Company and an investment accounted for using the equity method of the Group, respectively.

The computation of diluted earnings per share for the year ended 31 December 2018 did not assume the exercise of the share options issued by the Company because the exercise price of those share options was higher than the average market price of shares of the Company.

For electricity business

Basic earnings per share for the electricity business is HK12.56 cents per share (2018: HK7.40 cents per share) and diluted earnings per share for the electricity business is HK12.56 cents per share (2018: HK7.40 cents per share) based on the profit for the period/year attributable to owners of the Company from the electricity business of HK$134,723,000 (2018: HK$79,431,000) and the denominators detailed above for both basic and diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold land HK$'000	Leased properties HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
COST									
At 31 December 2018	2,754,731	326,622	–	2,198,703	154,035	27,300	133,435	12,919	5,607,745
Adjustment on initial application of HKFRS 16	–	(326,622)	13,311	–	–	–	–	–	(313,311)
At 1 January 2019 (restated)	2,754,731	–	13,311	2,198,703	154,035	27,300	133,435	12,919	5,294,434
Exchanges differences	(55,489)	–	(188)	(49,373)	(2,639)	(518)	(2,082)	(162)	(110,451)
Additions	3,678	–	11,244	40,951	14,998	755	94,708	235	166,569
Transfers	26,675	–	–	119,172	2,026	386	(148,259)	–	–
Disposals/write off	(3,129)	–	–	(37,367)	(8,886)	(1,839)	–	(7,777)	(58,998)
Transferred to investment properties (Note 16)	(40,727)	–	–	–	–	–	–	–	(40,727)
At 31 December 2019	2,685,739	–	24,367	2,272,086	159,534	26,084	77,802	5,215	5,250,827
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 31 December 2018	720,747	64,707	–	1,317,399	118,331	19,848	23,641	8,813	2,273,486
Adjustment on initial application of HKFRS 16	–	(64,707)	–	–	–	–	–	–	(64,707)
At 1 January 2019 (restated)	720,747	–	–	1,317,399	118,331	19,848	23,641	8,813	2,208,779
Exchange differences	(15,048)	–	(19)	(30,761)	(1,961)	(367)	(528)	(81)	(48,765)
Charge for the year	86,648	–	9,536	103,705	13,829	1,935	–	121	215,774
Impairment loss recognised (Note 6)	49	–	–	73,141	72	–	–	–	73,262
Disposals/write off	(1,829)	–	–	(35,826)	(8,596)	(1,727)	–	(7,022)	(55,000)
Transferred to investment properties (Note 16)	(2,641)	–	–	–	–	–	–	–	(2,641)
At 31 December 2019	787,926	–	9,517	1,427,658	121,675	19,689	23,113	1,831	2,391,409
CARRYING VALUE									
At 31 December 2019	1,897,813	–	14,850	844,428	37,859	6,395	54,689	3,384	2,859,418
COST									
At 1 January 2018	3,451,346	326,622	–	3,074,926	220,939	50,157	420,721	14,339	7,559,050
Exchange differences	(151,145)	–	–	(145,422)	(9,339)	(2,059)	(25,041)	(702)	(333,708)
Additions	25,504	–	–	152,754	30,241	4,743	193,836	1,134	408,212
Transfers	42,186	–	–	98,470	1,584	260	(142,500)	–	–
Disposals/written off	(56,574)	–	–	(104,811)	(15,986)	(11,452)	–	(159)	(188,982)
Disposal of subsidiaries (Note 48)	(370,379)	–	–	(243,328)	(49,191)	(12,552)	(295,852)	(833)	(972,135)
Classified as held for sale (Note 8)	(186,207)	–	–	(633,886)	(24,213)	(1,797)	(17,729)	(860)	(864,692)
At 31 December 2018	2,754,731	326,622	–	2,198,703	154,035	27,300	133,435	12,919	5,607,745
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2018	811,048	64,410	–	1,724,619	159,954	35,131	24,772	9,564	2,829,498
Exchange differences	(37,693)	–	–	(82,071)	(6,924)	(1,534)	(1,131)	(451)	(129,804)
Charge for the year	123,470	297	–	129,360	33,942	9,443	–	458	296,970
Impairment loss recognised (Note 6)	–	–	–	43,050	–	–	–	–	43,050
Disposals/written off	(11,622)	–	–	(76,428)	(12,606)	(10,958)	–	(97)	(111,711)
Disposal of subsidiaries (Note 48)	(81,929)	–	–	(128,403)	(38,753)	(11,198)	–	(152)	(260,435)
Classified as held for sale (Note 8)	(82,527)	–	–	(292,728)	(17,282)	(1,036)	–	(509)	(394,082)
At 31 December 2018	720,747	64,707	–	1,317,399	118,331	19,848	23,641	8,813	2,273,486
CARRYING VALUE									
At 31 December 2018	2,033,984	261,915	–	881,304	35,704	7,452	109,794	4,106	3,334,259

14. PROPERTY, PLANT AND EQUIPMENT (continued)

notes:

(a) 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
Leased properties	Over the lease term
Plant and machinery	3–25 years
Leasehold improvements, furniture and equipment	3–10 years
Motor vehicles	5–12 years
Others	5–10 years

(b) Buildings with a carrying amount of approximately HK$353 million (2018: HK$369 million) have been pledged to secure banking borrowings.

(c) **The Group as lessee**

Right-of-use assets (included in property, plant and equipment)

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	**13,311**
As at 31 December 2019	
Carrying amount	**14,850**
For the year ended 31 December 2019	
Depreciation charged	**9,536**
Total cash outflows for leases	**77,459**
Additions to right-of-use-assets	**11,244**

For both years, the Group leases various offices and a warehouse for its operations in Hong Kong and the PRC. Lease contracts are entered into for fixed term of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2019, included in the leased properties of property, plant and equipment are i.) offices of HK$4,900,000 and ii.) a warehouse of HK$9,950,000.

In addition, lease liabilities of HK$7,158,000 are recognised with related right-of-use assets of HK$11,244,000 during the year ended 31 December 2019.

As at 31 December 2019, the carrying amount of right-of-use assets and lease liabilities were HK$14,850,000 and HK$12,248,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) As at 31 December 2019, the management of the Group conducted an impairment assessment on the property, plant and equipment of HK$265,819,000 held by a loss-making subsidiary of the pharmaceutical segment. The management of the Group engaged a qualified external valuer to assess the recoverable amount with reference to the fair value less cost of disposal. As at 31 December 2019, the recoverable amount is lower than the carrying amount of the property, plant and equipment of that CGU and an impairment loss of HK$14,347,000 was recognised during the year.

15. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid lease payments related to leases of between 10 to 50 years in the PRC. Upon application of HKFRS 16, the leasehold land included in "property, plant and equipment" amounting to HK$261,915,000 were classified as right-of-use assets and reclassified to land use rights. The leasehold land of the Group is situated in Hong Kong with a long lease.

As at 31 December 2019, land use rights with a carrying amount of approximately HK$65 million (2018: HK$68 million) have been pledged to secure banking borrowings granted to the Group.

During the year ended 31 December 2018, the Group acquired land use rights with a carrying value of HK$16,825,000 (2019: Nil) and disposed of land use rights with a carrying value of HK$100,050,000 (2019: HK$12,243,000) upon disposal of subsidiaries. Further details are set out in Notes 48 and 8.

The Group as lessee

Right-of-use assets (included in land use rights)

	Leasehold land HK$'000	Land use rights HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	**261,915**	**367,572**	**629,487**
As at 31 December 2019			
Carrying amount	**261,618**	**351,122**	**612,740**
For the year ended 31 December 2019			
Depreciation charged	**297**	**8,386**	**8,683**

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	177,698
Disposal of subsidiaries (Note 48)	(5,767)
Increase in fair value recognised in profit or loss (Note 6)	28,453
Exchange differences	(9,489)
At 31 December 2018	**190,895**
Transfer from property, plant and equipment (Note 14)	**38,086**
Increase in fair value recognised in profit or loss (Note 6)	**15,667**
Exchange differences	**(5,161)**
At 31 December 2019	**239,487**

notes:

(a) The investment properties represent land and buildings in the PRC.

(b) All of the Group's property interests held 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.

(c) During the year ended 31 December 2019, certain property in Tianjin with an aggregate fair value amount of HK$38,086,000 (2018: Nil) were transferred from property, plant and equipment to investment properties due to change in management intention for generating rental income and/or for capital appreciation and the commencement of the related leasing arrangements. There was no material difference between the carrying amount and the fair value of such property as at date of transfer.

(d) The fair values as at 31 December 2019 and 2018 have been arrived at based on a valuation carried out by Vigers Appraisal and Consulting Limited ("Vigers"), an independent valuer not connected with the Group. 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.

16. INVESTMENT PROPERTIES (continued)

notes: (continued)

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

Description	Fair value hierarchy	Fair value at 31 December 2019 HK$'000	2018 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Tianjin	Level 3	**113,505**	114,955	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4.3% – 5.3%; 367.9 and 9,050 (2018: 4.3% – 5.3%; 367.9 and 9,050)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
Property 2 in Tianjin	Level 3	**71,763**	71,347	Market comparable approach	Selling price per square meter in RMB	6,455 – 7,052 (2018: 5,957 – 7,454)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	**4,096**	4,593	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4% – 4.5%; 440.6 and 5,000 (2018: 4% – 4.5%; 440.6 – 532.9; and 5,000)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
Property 4 in Tianjin	Level 3	**50,123**	N/A	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4% – 4.5%, 247.0 and 5,000 (2018: N/A)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
		239,487	190,895				

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

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2019 HK$'000	2018 HK$'000
The Group's interests in associates and joint ventures		
– Listed shares in Hong Kong		
– Tianjin Port	**3,387,904**	3,386,239
– Unlisted shares in the PRC		
– Otis China	**746,406**	760,006
– Research Institute	**830,323**	855,215
– TEDA Power	**1,244,313**	–
– Others	**349,531**	351,117
	6,558,477	5,352,577
Market value of listed shares		
– Tianjin Port	**1,021,612**	1,073,339

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Share of associates' and joint ventures' taxation for the year ended 31 December 2019 of HK$154,828,000 (2018: HK$123,952,000) is included in the consolidated statement of profit or loss as share of net profit of associates and joint ventures accounted for using the equity method. Impairment loss of approximately HK$300,000,000 was recognised on an investment accounted for using the equity method — Tianjin Port in prior year. Particulars regarding impairment testing on an investment accounted for using the equity method is disclosed in Note 21(b).

Details of principal associates and joint ventures which in the directors' opinion materially affect the results and/or net assets of the Group as at 31 December 2019 are set out in Note 49.

Summarised financial information of material associates and joint ventures

Summarised financial information in respect of each of the Group's material associates and joint ventures is set out below. The summarised financial information of associates and joint ventures are prepared in accordance with HKFRSs.

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

	Tianjin Port		**Otis China**		**Research Institute**		**TEDA Power**
	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**
Current assets	**12,103,737**	14,621,995	**17,770,475**	10,376,866	**1,182,094**	1,687,293	**2,060,010**
Non-current assets	**32,716,920**	30,849,007	**1,945,753**	2,116,597	**1,732,114**	1,756,950	**1,447,370**
Current liabilities	**(8,339,045)**	(10,285,345)	**(15,889,982)**	(8,547,868)	**(294,093)**	(707,662)	**(674,871)**
Non-current liabilities	**(9,974,248)**	(9,296,225)	**(23,400)**	(22,887)	**(201,214)**	(201,861)	**(183,966)**

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summarised financial information of material associates and joint ventures (continued)

	Tianjin Port		Otis China		Research Institute		TEDA Power
	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Year ended 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	For the period from 1 November 2018 to 31 December 2018 HK$'000	**For the period from 23 April 2019 to 31 December 2019 HK$'000**
Revenue	**15,077,403**	15,871,075	**19,006,983**	19,152,458	**1,034,337**	248,372	**1,618,032**
Profit (loss) for the year, attributable to owners of the associate and joint venture	**389,246**	430,145	**1,323,644**	1,209,844	**(18,760)**	(21,795)	**30,483**
Other comprehensive (expense) income for the year, attributable to owners of the associate and joint venture	**(213,586)**	(619,382)	**(85,110)**	(184,579)	**(52,363)**	33,306	**(116,214)**
Total comprehensive income (expense) for the year, attributable to owners of the associate and joint venture	**175,660**	(189,237)	**1,238,534**	1,025,265	**(71,123)**	11,511	**(85,731)**
Dividends received from the associate and joint venture during the year	**36,076**	65,039	**261,307**	299,634	**–**	–	**–**

Reconciliation of the above summarised financial information to the carrying amount of the investments accounted for using the equity method recognised in the consolidated financial statements:

	Tianjin Port		Otis China		Research Institute		TEDA Power
	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**	At 31 December 2018 HK$'000	**At 31 December 2019 HK$'000**
Equity attributable to owners of the associate and joint venture	**12,188,965**	12,224,271	**3,723,776**	3,795,091	**2,399,384**	2,443,473	**2,648,543**
Proportion of the Group's ownership interest in the associate and joint venture	**2,559,683**	2,567,097	**744,755**	759,018	**839,784**	855,215	**1,247,199**
Goodwill	**820,729**	820,729	**–**	–	**–**	–	**–**
Other adjustments	**7,492**	(1,587)	**1,651**	988	**(9,461)**	–	**(2,886)**
Carrying amount of the Group's interest in the associate and joint venture	**3,387,904**	3,386,239	**746,406**	760,006	**830,323**	855,215	**1,244,313**

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Aggregate information of associates and joint ventures that are not individually material

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
The Group's share of profit (loss)	**9,161**	(5,799)
The Group's share of other comprehensive expense	**(7,943)**	(21,620)
The Group's share of total comprehensive income (expense)	**1,218**	(27,419)
Aggregate carrying amount of the Group's interests in these investments	**349,531**	351,117
Dividends received from associates and joint ventures	**1,099**	1,000

The Group has discontinued recognition of its share of losses of an investment accounted for using the equity method. The amounts of cumulative unrecognised share of losses for both years are as follows:

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
The unrecognised owner's share of profit (loss) of an investment accounted for using the equity method for the year	**428**	(20,745)
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	**(276,226)**	(276,654)

18. 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 2018	34,704	310,347	13,158	358,209
Disposal of subsidiaries (Note 48)	—	(64,560)	—	(64,560)
Exchange differences	(1,584)	(14,520)	(601)	(16,705)
At 31 December 2018	**33,120**	**231,267**	**12,557**	**276,944**
Exchange differences	**(739)**	**(5,163)**	**(280)**	**(6,182)**
At 31 December 2019	**32,381**	**226,104**	**12,277**	**270,762**
AMORTISATION AND IMPAIRMENT				
At 1 January 2018	34,704	244,788	—	279,492
Exchange differences	(1,584)	(11,291)	—	(12,875)
Charge for the year	—	259	—	259
Disposal of subsidiaries (Note 48)	—	(7,786)	—	(7,786)
At 31 December 2018	**33,120**	**225,970**	**—**	**259,090**
Exchange differences	**(739)**	**(5,048)**	**(126)**	**(5,913)**
Charge for the year	**—**	**248**	**—**	**248**
Impairment (Note 6)	**—**	**—**	**7,491**	**7,491**
At 31 December 2019	**32,381**	**221,170**	**7,365**	**260,916**
CARRYING VALUE				
At 31 December 2019	**—**	**4,934**	**4,912**	**9,846**
At 31 December 2018	—	5,297	12,557	17,854

notes:

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

(ii) Patents were acquired and received by the Group through the acquisitions of subsidiaries and in the form of return of capital from an associate in prior years.

(iii) Technical know-how of the pharmaceutical segment was acquired separately and would be amortised over their expected useful lives when it is available for use. As at 31 December 2019, the management of the Group conducted an impairment assessment on the technical know-how of HK$12,277,000 (2018: HK$12,557,000) held by a loss-making subsidiary of the pharmaceutical segment and engaged a qualified external valuer to assess its recoverable amount with reference to the value in use. As at 31 December 2019, the recoverable amount is lower than the carrying amount of the technical know-how and an impairment loss of HK$7,491,000 (2018: Nil) was recognised during the year.

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

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	notes	2019 HK$'000	2018 HK$'000
Equity securities			
Listed, at market value	(i)	**98,135**	85,098
Unlisted	(ii)	**1,584,923**	2,029,492
		1,683,058	2,114,590

	HK$'000
At 1 January 2018	2,654,874
Addition	9,817
Disposal of subsidiaries (Note 48)	(93,864)
Exchange differences	(106,775)
Change in fair value	(349,462)
At 31 December 2018	**2,114,590**
Exchange differences	**(38,896)**
Change in fair value	**(392,636)**
At 31 December 2019	**1,683,058**

notes:

(i) The listed securities mainly represent the Group's 4.69% (2018: 4.69%) equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2019, the market value of the Group's equity interest in Binhai Investment was HK$80,433,000 (2018: HK$68,863,000) and the unrealised fair value gain of HK$11,570,000 (2018: loss of HK$26,794,000) was recognised as other comprehensive income.

(ii) The unlisted equity securities mainly represented the Group's 12.15% (2018: 12.15%) equity interest in Tasly Holding Group Co., Ltd. ("Tasly Holding"). Tasly Holding is a conglomerate in the PRC and is mainly holding Tasly Pharmaceutical Group Co., Ltd., which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical product in the PRC.

Other unlisted equity securities are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. The unlisted equity instruments are measured at fair value through other comprehensive income and details of fair value measurements are disclosed in Note 44.

20. GOODWILL

	HK$'000
COST	
At 1 January 2018	154,061
Exchange differences	(7,035)
At 31 December 2018	**147,026**
Deregistration of a subsidiary	**(1,419)**
Exchange differences	**(3,258)**
At 31 December 2019	**142,349**
IMPAIRMENT	
At 1 January 2018	152,566
Exchange differences	(6,967)
At 31 December 2018	**145,599**
Exchange differences	**(3,250)**
At 31 December 2019	**142,349**
CARRYING VALUE	
At 31 December 2019	**–**
At 31 December 2018	1,427

Particulars regarding impairment testing on goodwill are disclosed in Note 21(a).

21. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS UNDER ELECTRICAL AND MECHANICAL SEGMENT AND AN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

(a) For the purposes of impairment testing, non-current assets including property, plant and equipment, land use rights and goodwill set out in Notes 14, 15 and 20, respectively, have been allocated to the corresponding CGU, mainly being the electrical and mechanical segment (as set out in Note 4). The carrying amounts of property, plant and equipment, land use rights and goodwill, after impairment, allocated to the corresponding CGU are as follows:

	2019 **HK$'000**	2018 HK$'000
Electrical and mechanical segment		
Property, plant and equipment	**699,114**	836,946
Land use rights	**164,967**	172,765
Goodwill	**–**	1,427

21. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS UNDER ELECTRICAL AND MECHANICAL SEGMENT AND AN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) (Continued)

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

The basis of the recoverable amount of the respective CGU and their major underlying assumptions are summarised below:

As at 31 December 2019, the recoverable amount of the respective CGU 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 the management for the coming five years and discount rate of 8% (2018: 10%). The cash flows beyond the budget years are extrapolated using a steady 3% (2018: 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 respective CGU's past performance and the management's expectations of the market development.

During the year ended 31 December 2019, the management of the Group recognised an impairment loss on plant and machinery included in property, plant and equipment under electrical and mechanical segment of HK$58,915,000 (2018: HK$40,506,000) based on such assessment.

(b) The Group tests the impairment for investments accounted for using the equity method if there are indications that they might have been impaired. Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK$1,021,612,000 (2018: HK$1,073,399,000) at the end of the reporting period, the management of the Group has performed an impairment testing with the basis of the recoverable amount and major underlying assumptions summarised below.

As at 31 December 2019, the recoverable amount of the interest in Tianjin Port 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 discounted cash flows which require the estimation of key assumptions and inputs including discount rates, growth rates and expected dividend income. The cash flows of the expected dividend income are extrapolated using a steady 3% (2018: 4.5%) growth rate with a discount rate of 4.4% (2018: 5.9%). Such estimation is based on the historical actual dividend received and the management's expectations of the maintainable dividend income taking into consideration of both internal factors and external market environment.

During the year ended 31 December 2019, the management of the Group did not consider necessary to recognise any impairment loss on the interest in Tianjin Port (2018: impairment loss of HK$300,000,000) based on such assessment.

22. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**217,686**	237,379
Work in progress	**475,112**	531,766
Finished goods	**408,929**	140,157
Consumable stocks	**3,902**	1,040
	1,105,629	910,342

23. AMOUNTS DUE FROM INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD/ULTIMATE HOLDING COMPANY

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

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

				Maximum amount outstanding during the year	
			At 1 January		
	2019	2018	2018	**2019**	2018
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due from related companies	**65,788**	59,236	48,038	**66,261**	59,935
Amounts due to related companies	**369,349**	434,446			

The balances are denominated in Renminbi and are unsecured, interest-free and have no fixed repayment term except for the amounts due to a related company of HK$22,321,000 (2018: HK$22,831,000) which carry fixed interest rate of 4.57% (2018: 4.35%) per annum and are due within one year. Details of the relationship with related companies are set out in Note 46(b).

25. CONTRACT ASSETS

	2019	2018
	HK$'000	HK$'000
Machinery construction contracts	**280,979**	379,799

As at 1 January 2018, contract assets amounted to HK$458,431,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the contract performance in the future. The contract assets are transferred to trade receivables when the rights become unconditional.

Relevant payment terms which impact on the amount of contract assets recognised are as follows:

Machinery construction contracts

The Group's machinery construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 30% of total contract sum as part of its credit risk management policies. The upfront deposits are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group achieves the contractual milestones.

The contracts also typically include retention sum for 5%–10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional upon the satisfaction of the quality by the customers over a certain period as stipulated in the contract.

As at 31 December 2019, included in contract assets are retentions of HK$197,535,000 (2018: HK$51,541,000) which is expected to be realised beyond twelve months from the end of the reporting period. The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle.

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

	notes	2019 HK$'000	2018 HK$'000
Trade receivables			
Trade receivables — exposure at default	(a), (b)	**721,595**	640,877
Trade receivables — gross		**721,595**	640,877
Less: allowance for credit losses	(b)	**(32,528)**	(96,147)
Trade receivables — net		**689,067**	544,730
Notes receivables	(e)	**437,757**	361,169
	(c)	**1,126,824**	905,899
Other receivables, deposits and prepayments			
Entrusted loan	(d)	**—**	34,247
Others		**465,848**	547,474
		465,848	581,721

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$725,884,000.

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 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 that are neither past due nor impaired and with no history of default payment.

Annual government supplemental income receivables do not have credit terms and the amounts are finalised by the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") each financial year. Continuous settlements have been received by the Group over the years and except for an amount of HK$192,255,000 (2018: HK$23,889,000), all government supplemental income had been received as at 31 December 2019.

(b) As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$171,114,000 (2018: HK$184,850,000) which are past due as at the reporting date. Out of the past due balances, HK$11,059,000 (2018: HK$135,631,000) has been past due 90 days or more and is not considered by the management of the Group as in default by considering the subsequent and historical repayment from the trade debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in Note 44(b).

26. TRADE RECEIVABLES/NOTES RECEIVABLES/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

notes: (continued)

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

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**914,947**	329,280
31 to 90 days	**42,722**	167,731
91 to 180 days	**50,953**	213,645
181 to 365 days	**112,353**	101,687
Over 1 year	**5,849**	93,556
	1,126,824	905,899

(d) The amount represented an entrusted loan to one government-related corporate borrower in the PRC through one PRC financial institution and the outstanding amount was repayable within one year with a variable interest rate at RMB benchmark lending rate plus 1.2% per annum as at 31 December 2018.

(e) As at 31 December 2019, total notes receivables amounting to HK$437,757,000 (31 December 2018: HK$361,169,000) are held by the Group for future settlement of trade receivables. All notes receivables by the Group are with a maturity period of less than one year.

As at 31 December 2019, notes receivables with an aggregate carrying amount of HK$92,644,000 (31 December 2018: nil) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables.

(f) 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. The Group has no significant concentration of credit risk.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Investments held for trading:		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**451**	6,356
Listed funds in the PRC	**11,775**	10,860
Unlisted funds in the PRC	**6,974**	14,028
Unlisted trust funds in the PRC (note)	**410,420**	426,583
	434,979	463,186
Market values of listed shares	**5,810**	11,715
Market values of listed funds	**11,775**	10,860

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

note: The above unlisted trust funds are measured at fair value on a recurring basis at the end of each reporting period. As at 31 December 2019, the fair value of the investments of HK$410,420,000 (2018: HK$426,583,000) is based on Level 2 measurement (inputs which are derived from other than quoted prices included within Level 1 that are observable for the asset or liability).

28. STRUCTURED DEPOSITS

As at 31 December 2019, the Group placed with one licensed commercial bank (2018: one licensed commercial bank) in the PRC for principal-protected RMB-denominated structured deposits with maturity within 6 months (2018: 1 month) after the end of the reporting period. The expected annual interest rate for the structured deposits is indicated at 4.40% (2018: 2.55% to 3.15%), however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss under HKFRS 9.

29. ENTRUSTED DEPOSITS

As at 31 December 2019, the entrusted deposits were placed with seven financial institutions (2018: three financial institutions) in the PRC, with maturity from 1 to 6 months (2018: 3 to 17 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.0% to 8.5% (2018: 6.3% to 8.5%) per annum.

Contracts with maturity over one year confer the Group rights of early redemption at amortised costs, before the maturity date. Accordingly, those deposits were classified as current assets as at 31 December 2018.

30. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH MATURITY OVER THREE MONTHS/RESTRICTED BANK BALANCES

	2019 **HK$'000**	2018 HK$'000
Cash at banks and in hand	**2,188,353**	2,976,084
Time deposits with maturity less than three months	**907,534**	924,234
Balances with other financial institutions	**1,401**	81,674
Cash and cash equivalents	**3,097,288**	3,981,992
Time deposits with maturity over three months	**2,257,953**	1,888,560
Restricted bank balances (note)	**329,669**	231,063
	5,684,910	6,101,615

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.

31. SHARE CAPITAL

	Number of shares thousand	Value HK$'000
Issued and fully paid ordinary shares with no par value:		
At 1 January 2018, 31 December 2018 and 2019	**1,072,770**	**5,136,285**

32. SHARE OPTION SCHEME

The Company 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) 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 expired on 24 May 2017.

The Company passed an ordinary resolution to extend the exercise period of a total of 20,800,000 fully vested outstanding share options granted by the Company under the Option Scheme adopted on 25 May 2007, which expired on 24 May 2017, for two years from 24 May 2017 to 24 May 2019. All the outstanding share options granted and yet to be exercised under the Option Scheme lapsed upon the expiry of the exercise period on 24 May 2019.

32. SHARE OPTION SCHEME (continued)

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 2018	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2018	**Granted**	**Exercised**	**Lapsed/ cancelled**	**Balance at 31 December 2019**
16 December 2009	16 December 2009 to 24 May 2019 (note)	5.750	3,000,000	–	–	–	3,000,000	**–**	**–**	**(3,000,000)**	**–**
3 December 2010	3 December 2010 to 24 May 2019 (note)	6.070	300,000	–	–	–	300,000	**–**	**–**	**(300,000)**	**–**
7 November 2011	11 November 2011 to 24 May 2019 (note)	3.560	4,500,000	–	–	–	4,500,000	**–**	**–**	**(4,500,000)**	**–**
19 December 2012	19 December 2012 to 24 May 2019 (note)	4.060	5,000,000	–	–	–	5,000,000	**–**	**–**	**(5,000,000)**	**–**
20 December 2013	20 December 2013 to 24 May 2019 (note)	5.532	8,000,000	–	–	–	8,000,000	**–**	**–**	**(8,000,000)**	**–**
			20,800,000	–	–	–	20,800,000	**–**	**–**	**(20,800,000)**	**–**
Exercisable at the end of the year							20,800,000				**–**

note: At the extraordinary general meeting of the Company held on 19 May 2017, shareholders of the Company passed an ordinary resolution to extend the exercise periods of all the outstanding share options granted by the Company on 16 December 2009, 3 December 2010, 7 November 2011, 19 December 2012 and 20 December 2013 under the Option Scheme for two years from 24 May 2017 to 24 May 2019.

Of the outstanding share options at 31 December 2018, 14,600,000 share options (2019: Nil) were granted to the directors of the Company. Details of the share options granted to directors are set out in section headed "Share Option Scheme" in the Report of the Directors.

33. RESERVES

	Capital reserve 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	Fair value through other comprehensive income reserve HK$'000 note (iii)	Sub-total HK$'000	Retained earnings HK$'000 note (iv)	Total HK$'000
At 1 January 2018	9,010	104,675	777,289	22,729	(1,531,646)	842,842	783,248	1,008,147	5,403,042	6,411,189
Profit for the year	–	–	–	–	–	–	–	–	471,931	471,931
Other comprehensive expense for the year	–	–	–	–	–	(490,601)	(130,392)	(620,993)	–	(620,993)
Dividends	–	–	–	–	–	–	–	–	(83,783)	(83,783)
Disposal of subsidiaries (Note 48)	–	17,847	–	–	–	(29,818)	(53,911)	(65,882)	65,882	–
Transfer between reserves	–	11,937	36,966	–	–	–	–	48,903	(48,903)	–
Others	–	1,056	1,314	–	–	–	–	2,370	–	2,370
At 31 December 2018	**9,010**	**135,515**	**815,569**	**22,729**	**(1,531,646)**	**322,423**	**598,945**	**372,545**	**5,808,169**	**6,180,714**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**461,441**	**461,441**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(240,677)**	**(95,374)**	**(336,051)**	**–**	**(336,051)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,250)**	**(86,250)**
Disposal of a subsidiary (Note 8)	**–**	**(51,785)**	**(42,676)**	**–**	**–**	**(133,728)**	**–**	**(228,189)**	**228,189**	**–**
Transfer between reserves	**–**	**3,881**	**35,932**	**–**	**–**	**–**	**–**	**39,813**	**(39,813)**	**–**
Transfer upon lapse of share options	**–**	**–**	**–**	**(21,753)**	**–**	**–**	**–**	**(21,753)**	**21,753**	**–**
Others	**–**	**628**	**5,647**	**–**	**–**	**–**	**–**	**6,275**	**–**	**6,275**
At 31 December 2019	**9,010**	**88,239**	**814,472**	**976**	**(1,531,646)**	**(51,982)**	**503,571**	**(167,360)**	**6,393,489**	**6,226,129**

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.

(ii) Other reserves mainly represented reserves arising from reorganisation in prior years and the merger reserve arising from acquisition of Thrive Leap (as defined in Note 47) in 2015, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap. Other reserves of HK$25,374,000 represented reserves arising from assets restructuring of Tianjin Port in 2017.

(iii) The fair value through other comprehensive income reserve represents cumulative gains and losses arising on the revaluation of equity instruments at fair value through other comprehensive income that have been recognised in other comprehensive income. The fair value through other comprehensive income reserve in relation to certain unlisted equity instrument held by Research Institute was transferred to retained earnings upon disposal of subsidiaries.

(iv) Retained earnings and accumulated losses arising from investments accounted for using the equity method amounted to HK$1,283,437,000 (2018: HK$1,212,458,000) and HK$99,525,000 (2018: HK$93,484,000) respectively.

34. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Non-current		
Bank borrowings		
— Secured	—	—
— Unsecured	1,985,417	—
	1,985,417	—
Current		
Bank borrowings		
— Unsecured	141,316	1,921,446
— Secured	229,911	235,160
	371,227	2,156,606
Total borrowings	2,356,644	2,156,606

notes:

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

	2019 HK$'000	2018 HK$'000
Bank borrowings:		
Within one year	371,227	2,156,606
More than two years but not more than five years	1,985,417	—
	2,356,644	2,156,606

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

	2019 HK$'000	2018 HK$'000
Bank borrowings:		
Renminbi	371,227	360,731
Hong Kong dollar	1,985,417	1,795,875
	2,356,644	2,156,606

34. BANK BORROWINGS (continued)

notes: (continued)

(c) The range of annual interest rates is 3.95% to 5.66% (2018: 3.43% to 6.00%) and the effective interest rates of bank borrowings at the end of the reporting period are as follows:

	2019	2018
	%	%
Bank borrowings:		
Renminbi	**4.66**	4.97
Hong Kong dollar	**3.95**	3.43

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

(e) On 3 December 2019, the Company obtained a new term loan banking facility of HK$2,000,000,000 for a period of 36 months commencing from the date of utilisation. On 9 December 2019, the term loan was drawn down to repay the prior term loan.

Pursuant to the facility agreement, it will be an event of default, inter alia, if:

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

(ii) The Company ceases to be under the direct or indirect control of Tsinlien.

35. DEFERRED TAXATION

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**47,213**	44,785
Deferred tax liabilities	**(236,488)**	(301,663)
Deferred tax liabilities, net	**(189,275)**	(256,878)

notes:

(a) 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$1,161,469,000 (2018: HK$1,415,879,000) 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.

(b) The following are the major deferred tax (liabilities) 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$'000	Fair value adjustment on equity instrument at fair value through other comprehensive income HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(2,493)	(6,118)	37,296	58,242	(29,237)	(339,160)	362	(281,108)
Deferred tax (charged) credited to profit or loss	(365)	(7,113)	451	(5,407)	1,986	–	–	(10,448)
Deferred tax credited to other comprehensive income	–	–	–	–	–	48,718	–	48,718
Disposal of subsidiaries (Note 48)	(5,081)	–	(2,230)	–	–	13,573	(3,298)	2,964
Classified as held for sale (Note 8)	(3,666)	–	(29,491)	–	–	–	2,995	(30,162)
Exchange differences	(724)	539	(1,749)	–	1,262	13,889	(59)	13,158
At 31 December 2018	**(12,329)**	**(12,692)**	**4,277**	**52,835**	**(25,989)**	**(262,980)**	**–**	**(256,878)**
Deferred tax credited (charged) to profit or loss	**1,048**	**(3,918)**	**3,839**	**(2,164)**	**1,902**	**–**	**–**	**707**
Deferred tax credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**60,657**	**–**	**60,657**
Exchange differences	**(136)**	**1,131**	**(159)**	**–**	**549**	**4,854**	**–**	**6,239**
At 31 December 2019	**(11,417)**	**(15,479)**	**7,957**	**50,671**	**(23,538)**	**(197,469)**	**–**	**(189,275)**

36. TRADE PAYABLES/NOTES PAYABLES

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**338,984**	323,639
31 to 90 days	**163,061**	195,592
91 to 180 days	**207,305**	118,582
Over 180 days	**366,230**	447,674
	1,075,580	1,085,487

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

37. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	**623,789**	642,466
Other payables	**570,340**	693,199
	1,194,129	1,335,665

38. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Provision of utilities and other related supporting facilities	**732,519**	681,663
Machinery construction contracts	**577,677**	446,061
Sale of pharmaceutical products	**31,372**	26,997
	1,341,568	1,154,721

38. CONTRACT LIABILITIES (continued)

The amounts recognised related to carried-forward contract liabilities are as follows:

	Provision of utilities and other supporting facilities		Machinery construction contracts		Sale of pharmaceutical products	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount recognised that was included in the contract liability balance at the beginning of the year	**221,378**	255,272	**407,095**	534,692	**26,997**	44,708

No revenue recognised in the current year was related to performance obligations that were satisfied in prior years.

Provision of utilities and other related supporting facilities

The Group requests the customers an upfront payment before supply of heat and thermal power which will give rise to contract liabilities at the beginning of each heating period. The contract balances relate to instances where the utilities are prepaid and will be consumed over the heating period by the customers. The Group expects to realise them within three months from the end of the reporting period.

As at 31 December 2019, included in the contract liabilities are receipt in advance of HK$732,519,000 from provision of utilities and other related supporting facilities (2018: HK$484,504,000). The Group receives a lump sum payment before providing other related supporting facilities including maintenance of pipelines and network to residential customers. This would give rise to contract liabilities that would be amortised over their estimated useful life of 20 years.

Machinery construction contracts

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 10% to 30% deposit on acceptance of manufacturing orders. The Group classifies these contract liabilities as current because the Group expects to realise them in its normal operating cycle.

Sale of pharmaceutical products

The Group requests certain customers an advance payment before the delivery of pharmaceutical products. The Group expects to realise them within one year from the end of the reporting period.

39. LEASE LIABILITIES

Lease liabilities payables:

	2019 HK$'000
Within one year	**4,900**
Within a period of more than one year but not more than two years	**–**
Within a period of more than two years but not more than five years	**2,479**
Within a period of more than five years	**4,869**
	12,248
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,900)**
Amount due for settlement after 12 months shown under non-current liabilities	**7,348**

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate of 4.35% per annum.

40. OPERATING LEASES

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

The Group as lessees

	2018 HK$'000
Land and buildings	
Not later than one year	8,825
Later than one year and not later than five years	4,932
	13,757

40. OPERATING LEASES (continued)

The Group as lessors

All of the properties held for rental purposes have committed lessees for the next 1 to 19 years respectively.

Minimum lease payments receivables on leases are as follows:

	2019 **HK$'000**
Within one year	**9,559**
In the second year	**7,899**
In the third year	**5,183**
In the fourth year	**5,183**
In the fifth year	**5,183**
After five years	**20,732**
	53,739

The Group had contracted with tenants for the following future minimum lease payments:

	2018 HK$'000
Investment properties	
Not later than one year	5,301
Later than one year and not later than five years	21,205
Over five years	23,414
	49,920

41. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for in respect of		
— Additions to property, plant and equipment	**207,574**	136,033

42. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances, land use rights and buildings of HK$329,669,000, HK$64,597,000 and HK$352,922,000 (2018: HK$231,063,000, HK$67,558,000 and HK$368,555,000), respectively, were pledged to financial institutions by the Group to secure general banking facilities.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash generated from (used in) operations:

	2019 HK$'000	2018 HK$'000
Profit before tax from continuing operations	**571,035**	876,099
Profit before tax from electricity business	**135,258**	100,532
	706,293	976,631
Adjustments for:		
Share of net profit of associates and joint ventures accounted for using the equity method	**(363,420)**	(318,872)
Finance costs	**84,961**	86,227
Interest income	**(175,622)**	(199,746)
Depreciation	**224,457**	296,970
Amortisation	**248**	8,967
Gain on disposal of a subsidiary/subsidiaries (Notes 8 & 48)	**(136,016)**	(622,323)
Written-off of goodwill upon deregistration of a subsidiary	**1,419**	—
Impairment loss on intangible assets	**7,491**	—
Impairment loss on property, plant and equipment	**73,262**	43,050
Impairment loss on investments accounted for using the equity method	**—**	308,711
Impairment loss, net of reversal		
— Trade receivables	**(62,521)**	(70,973)
— Contract assets	**13,630**	43,406
— Other receivables	**258**	(997)
Net exchange loss	**22,994**	43,049
Dividend income from equity instruments at fair value through other comprehensive income	**(16,511)**	(17,836)
Net loss (gain) on disposal/written off of property, plant and equipment	**261**	(651)
Unrealised (gain) loss on financial assets at fair value through profit or loss	**(31,621)**	24,639
Increase in fair value of investment properties	**(15,667)**	(28,453)
Operating cash flows before movements in working capital	**333,896**	571,799
Changes in working capital:		
Inventories	**(219,279)**	(111,889)
Trade receivables	**(95,848)**	55,007
Notes receivables	**6,553**	(77,803)
Other receivables, deposits and prepayments	**(378,811)**	(49,833)
Financial assets at fair value through profit or loss	**49,793**	(120,467)
Trade payables	**(88,623)**	(195,392)
Notes payables	**103,190**	24,930
Other payables and accruals	**(162,178)**	105,778
Defined benefit obligations	**—**	(746)
Deferred income	**—**	(6,721)
Amount due from ultimate holding company	**(22)**	(37)
Amounts due from/to related companies	**(214,584)**	(379,397)
Contract assets	**78,251**	16,481
Contract liabilities	**186,069**	(152,766)
Cash used in operations	**(401,593)**	(321,056)

44. FINANCIAL RISK MANAGEMENT

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

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets mandatorily required to be measured at fair value through profit or loss		
— Held-for-trading	**434,979**	463,186
— Others	**1,316,517**	509,339
	1,751,496	972,525
Financial assets at amortised cost	**7,311,152**	7,754,876
Equity instruments designated at fair value through other comprehensive income	**1,683,058**	2,114,590
Financial liabilities		
Amortised cost	**4,263,011**	4,248,204

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 2019, with all other variables held constant, if Hong Kong dollar had weakened/ strengthened against Renminbi by 5% (2018: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$60,453,000 (2018: HK$64,244,000) as a result of the translation of the Non-Functional Currency Items.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares, listed funds, unlisted trust funds and unlisted funds are classified on the consolidated statement of financial position as equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss specified in Notes 19 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% (2018: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK$32,222,000 (2018: HK$34,337,000) and HK$8,044,000 (2018: HK$6,968,000), respectively.

(iii) Interest rate risk

Other than the entrusted loan, structured deposits, entrusted deposits and bank balances and deposits specified in Notes 26, 28, 29 and 30, 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.

As at 31 December 2018, the Group's entrusted loan carried fixed contractual interest rates and therefore exposed 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 mainly arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 34. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include borrowings of HK$1,985,417,000 at variable rates and HK$371,227,000 at fixed rates (2018: HK$1,807,291,000 at variable rates and HK$349,315,000 at fixed rates).

If interest rates had been 50 basis points (2018: 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 ended 31 December 2019 would decrease/increase by HK$8,289,000 (2018: HK$7,498,000); if interest rates had been 50 basis points higher/lower for Renminbi-denominated borrowings at variable rates and with all other variables held constant, the Group's profit for the year would decrease/increase by HK$50,000 for the year ended 31 December 2018.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

If interest rates had been 25 basis points (2018: 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$1,038,000 (2018: HK$590,000); if interest rates had been 25 basis points (2018: 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$11,837,000 (2018: HK$13,250,000).

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

(b) Credit and counterparty risk and impairment assessment

As at 31 December 2019, the carrying amounts of the Group's financial assets and contract assets substantially represent the Group's maximum exposure to credit and counterparty risk. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk in relation to trade receivables and contract assets, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit analysis to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group performs impairment assessment under expected credit loss model on balances of trade receivables and contract assets collectively based on provision matrix.

Other receivables and amounts due from investments accounted for using the equity method/ultimate holding company/related companies

The Group assessed the expected credit losses for its other receivables and amounts due from investments accounted for using the equity method/ultimate holding company/related companies individually based on past due information which, in the opinion of the directors have no significant increase in credit risk since initial recognition. Expected credit losses is estimated based on historical observed default rates over the expected life of receivables and is adjusted for forward-looking estimates.

The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. No impairment losses were made for these balances as at 31 December 2018 and 31 December 2019 as the amounts involved were insignificant.

Notes receivables and bank balances

A significant portion of the Group's bank deposits and notes receivables are placed with or arranged through state-owned banks in the PRC. The credit risks on notes receivables and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

Structured deposits and entrusted deposits

The Group's structured deposits 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 2019 because it had placed structured deposits and entrusted deposits of HK$33 million and HK$1,283 million, respectively (2018: HK$52 million and HK$457 million, respectively) with one bank and seven financial institutions, respectively (2018: one bank and three financial institutions, respectively) in the PRC.

No expected credit loss provision is considered for structured deposits and entrusted deposits as they are stated at fair value through profit or loss under HKFRS 9.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

2019	Notes	External credit rating	Internal credit rating	12-month or lifetime expected credit losses	Gross carrying amount HK$'000
Financial assets at amortised cost					
Amounts due from investments accounted for using the equity method	23	N/A	(note a)	12-month ECL	56,872
Amount due from ultimate holding company	23	N/A	(note a)	12-month ECL	299
Amounts due from related companies	24	N/A	(note a)	12-month ECL	65,788
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	329,669
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	2,257,953
Bank balances	30	AA+ to AAA	N/A	12-month ECL	3,097,288
Notes receivables	26	A to AAA	N/A	12-month ECL	437,757
Other receivables	26	N/A	(note a)	12-month ECL	376,459
Trade receivables	26	N/A	(note b)	Lifetime ECL (provision matrix)	697,839
				Credit-impaired	23,756
Other item					
Contract assets	25	N/A	(note b)	Lifetime ECL (provision matrix)	285,141
				Credit-impaired	75,319

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime expected credit losses	Gross carrying amount HK$'000
Financial assets at amortised cost					
Amounts due from investments accounted for using the equity method	23	N/A	(note a)	12-month ECL	229,118
Amount due from ultimate holding company	23	N/A	(note a)	12-month ECL	284
Amounts due from related companies	24	N/A	(note a)	12-month ECL	59,236
Restricted bank balances	30	AA+	N/A	12-month ECL	231,063
Time deposits with maturity over three months	30	AA+	N/A	12-month ECL	1,888,560
Bank balances	30	AA+	N/A	12-month ECL	3,981,992
Notes receivables	26	AA	N/A	12-month ECL	361,169
Other receivables	26	N/A	(note a)	12-month ECL	458,724
Trade receivables	26	N/A	(note b)	Lifetime ECL (provision matrix)	545,119
				Credit impaired	95,758
Other item					
Contract assets	25	N/A	(note b)	Lifetime ECL (provision matrix)	385,220
				Credit impaired	62,167

notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2019 and 2018, the Group considers that the credit loss form these balances are not significant since these balances are either not past due or without fixed repayment terms.

(b) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime expected credit losses. Except for credit-impaired balances, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses provision matrix to calculate expected credit losses for trade receivables and contract assets collectively. The provision rates are based on the comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit-impaired). Debtors credit-impaired with gross carrying amounts of HK$99,075,000 (2018: HK$157,925,000) as at 31 December 2019 were assessed individually. No debtors with significant outstanding balances are noted as at 31 December 2018 and 2019.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

Gross carrying amount

	At 31 December 2019		
	Average loss rate	**Trade receivables HK$'000**	**Contract assets HK$'000**
Operating segment			
Utilities — water and heat and thermal power	**0.39%–0.49%**	**286,910**	**–**
Pharmaceutical	**0.83%–1.25%**	**209,547**	**–**
Hotel	**1.31%**	**2,045**	**–**
Electrical and mechanical	**1.03%–3.50%**	**199,337**	**285,141**
		697,839	**285,141**

	At 31 December 2018		
	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Utilities — water and heat and thermal power	1.31%–1.67%	99,492	–
Pharmaceutical	0.97%–1.76%	179,766	–
Hotel	1.46%	5,104	–
Electrical and mechanical	1.11%–4.47%	260,757	385,220
		545,119	385,220

The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit impaired) HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 January 2018	105,375	131,776	237,151
— Transfer	(89,574)	89,574	—
— Impairment losses reversed	(3,755)	(67,218)	(70,973)
— Classified as held for sale	(141)	(40,187)	(40,328)
— Disposal of subsidiaries	(1,784)	(19,411)	(21,195)
— Exchange adjustments	(1,415)	(7,093)	(8,508)
As at 1 January 2019	**8,706**	**87,441**	**96,147**
— Impairment losses recognised (reversed)	**1,464**	**(63,985)**	**(62,521)**
— Exchange adjustments	**(217)**	**(881)**	**(1,098)**
As at 31 December 2019	**9,953**	**22,575**	**32,528**

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit impaired) HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 January 2018	18,133	8,869	27,002
— Transfer	(15,497)	15,497	—
— Impairment losses recognised	6,389	37,017	43,406
— Exchange adjustments	(496)	(2,324)	(2,820)
As at 1 January 2019	**8,529**	**59,059**	**67,588**
— Transfer	**(221)**	**221**	**—**
— Impairment losses (reversed) recognised	**(265)**	**13,895**	**13,630**
— Exchange adjustments	**(112)**	**(1,625)**	**(1,737)**
As at 31 December 2019	**7,931**	**71,550**	**79,481**

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit and counterparty risk and impairment assessment (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

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 receivables do not exceed the recorded allowances and the directors are of the opinion that adequate ECL provision for trade receivables 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 the relevant trade receivables and contract assets of electrical and mechanical business that are subject to credit risk is HK$190,257,000 and HK$280,979,000, respectively (2018: HK$258,871,000 and HK$379,799,000, respectively) as at 31 December 2019. The directors are of the opinion that adequate ECL provision for uncollectible trade receivables has been made in the consolidated financial statements.

As at 31 December 2019, 65% (2018: 61%) of the Group's financial assets were bank deposits, structured deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions in the PRC. For utilities business, except for an amount of HK$192 million (2018: HK$24 million), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2019 and 2018 respectively. 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 47), a subsidiary in the electrical and mechanical segment, around 23% (2018: 24%) were receivable from top 5 customers. In view that the management of this electrical and mechanical business has established relationships with a wide base of customers, the directors consider that the concentration risk is not significant.

(c) Liquidity risk

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

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

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$3,097 million (2018: HK$3,982 million), bank borrowings of approximately HK$2,357 million (2018: HK$2,157 million) and lease liabilities of approximately HK$12 million, respectively.

44. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled in 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 rates 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$'000	Over 5 year HK$'000	Total HK$'000
At 31 December 2019					
Bank borrowings	**448,154**	**68,100**	**2,049,226**	**–**	**2,565,480**
Amounts due to related companies	**369,349**	**–**	**–**	**–**	**369,349**
Trade payables, notes payables and other payables	**1,537,018**	**–**	**–**	**–**	**1,537,018**
	2,354,521	**68,100**	**2,049,226**	**–**	**4,471,847**
Lease liabilities	**4,900**	**–**	**4,017**	**5,357**	**14,274**
At 31 December 2018					
Bank borrowings	2,224,937	–	–	–	2,224,937
Amounts due to related companies	434,446	–	–	–	434,446
Trade payables, notes payables and other payables	1,657,152	–	–	–	1,657,152
	4,316,535	–	–	–	4,316,535

44. FINANCIAL RISK MANAGEMENT (continued)

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 bank borrowings and lease liabilities (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.

	2019	2018
	HK$'000	HK$'000
Total cash and bank deposits	**5,684,910**	6,101,615
Less: bank borrowings	**(2,356,644)**	(2,156,606)
Less: Lease liabilities	**(12,248)**	—
Net cash	**3,316,018**	3,945,009
Shareholders' funds	**11,362,414**	11,316,999
Net gearing position	**Net cash**	Net cash

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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

44. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

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 perform the valuation.

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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments at fair value through other comprehensive income						
– listed equity securities	**98,135**	85,098	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted equity securities – a private company in the PRC	**1,473,361**	1,908,761	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 0.90% (2018: 1.07%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
– other unlisted equity securities	**111,562**	120,731	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 5.08%–7.04% (2018: 6.99%–10.24%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	1,683,058	2,114,590				

44. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

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

Financial assets	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss						
— listed equity securities	**5,810**	11,715	Level 1	Quoted bid price in active markets	N/A	N/A
— listed funds	**11,775**	10,860	Level 1	Quoted bid price in active markets	N/A	N/A
— unlisted funds	**6,974**	14,028	Level 2	Redemption value quoted by the relevant investment fund with reference to the underlying assets (mainly listed securities) of the fund	N/A	N/A
— unlisted trust funds	**410,420**	426,583	Level 2	Redemption value quoted by banks or financial institutions with reference to the underlying assets (mainly listed securities and government bonds) of the trust fund	N/A	N/A
— structured deposits	**33,482**	52,179	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
— entrusted deposits	**1,283,035**	457,160	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	1,751,496	972,525				

notes:

(i) As at 31 December 2019, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK$14,837,000 (2018: HK$19,117,000) and a 1% decrease in the dividend yield holding all other variables constant would increase the carrying amount of the unlisted equity securities by HK$15,136,000 (2018: HK$19,503,000).

(ii) As at 31 December 2019, a 5% increase/decrease in the marketability discount holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK$6,277,000 (2018: HK$6,873,000).

44. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK$'000
At 1 January 2018	2,547,051
Fair value change recognised in other comprehensive expense	(317,744)
Disposal of subsidiaries (Note 48)	(93,864)
Exchange differences	(105,951)
At 31 December 2018	2,029,492
Fair value change recognised in other comprehensive expense (note)	(406,066)
Exchange differences	(38,503)
At 31 December 2019	**1,584,923**

note: Included in other comprehensive expense is an amount of HK$406,066,000 (2018: HK$317,744,000) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "fair value through other comprehensive income reserve".

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

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

The directors of the Company consider that the carrying amounts of trade receivables, notes receivables, other receivables, structured deposits, entrusted deposits, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade payables, notes payables, other payables, short-term bank borrowings and balances with investments accounted for using the equity method, 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.

The fair values of long-term bank borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments and approximate their carrying amounts.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Dividend payables HK$'000**	**Bank borrowings HK$'000**	**Total HK$'000**
At 1 January 2018	–	–	2,348,495	2,348,495
Financing cash flows	–	(148,682)	(44,476)	(193,158)
Dividends declared	–	148,682	–	148,682
Disposal of subsidiaries (Note 48)	–	–	(126,410)	(126,410)
Foreign exchange translation	–	–	(21,003)	(21,003)
At 31 December 2018	–	–	2,156,606	2,156,606
Adjustment upon application of HKFRS 16	13,311	–	–	13,311
At 1 January 2019 (restated)	**13,311**	**–**	**2,156,606**	**2,169,917**
Financing cash flows	**(8,327)**	**(137,680)**	**111,221**	**(34,786)**
Inception of leases	**7,158**	**–**	**–**	**7,158**
Interest expense recognised	**315**	**–**	**–**	**315**
Dividend declared	**–**	**137,680**	**–**	**137,680**
Reclassification from notes receivables	**–**	**–**	**92,644**	**92,644**
Foreign exchange translation	**(209)**	**–**	**(3,827)**	**(4,036)**
At 31 December 2019	**12,248**	**–**	**2,356,644**	**2,368,892**

46. RELATED PARTY TRANSACTIONS

(a) Connected persons

On 14 March 2016, 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 by the Group to the Tianjin Pharmaceutical and its subsidiaries (the "Tianjin Pharmaceutical Group") for a term commencing from 1 May 2016 and up to 31 December 2018. On 6 December 2018, the Master Sales Agreement is renewed from 1 January 2019 up to 31 December 2021. 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 2019, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB72,425,000 (equivalent to HK$82,207,000) (2018: RMB80,464,000 (equivalent to HK$95,337,000)).

On 14 March 2016, the Company entered into the master R&D services agreement (the "Master R&D Services Agreement") with Tianjin Pharmaceutical in relation to the provision of R&D services (the "Services") by the Group to the Tianjin Pharmaceutical Group for a term commencing from 14 March 2016 and up to 31 December 2018.

For the year ended 31 December 2018, the total transaction amount in respect of the Services rendered by the Group to the Tianjin Pharmaceutical Group under the Master R&D Service Agreement was RMB300,000 (equivalent to HK$355,000) (2019: Nil).

Details of the above transactions were disclosed in the Company's announcements dated 14 March 2016 and the circular dated 7 April 2016, respectively.

(b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2018: 62.81%) of the Company's shares as at 31 December 2019. The remaining 37.19% (2018: 37.19%) 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 2019 and 2018, except for the government supplemental income granted by the TEDA Finance Bureau to the utilities business (Note 4), the Group's significant transactions with other entities that are controlled, jointly controlled or significantly influenced by the PRC government (the "Other government-related entities") 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.

46. RELATED PARTY TRANSACTIONS (continued)

(b) Related parties (continued)

Apart from the above-mentioned transactions with the other government-related entities, the connected transactions and the related party transactions and balances during the year ended 31 December 2019 set out in Notes 23 and 24, 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)

	2019 HK$'000	2018 HK$'000
Interest expense (Note 7)	**1,038**	4,545
Short-term lease expenses for land	**1,704**	2,728
Short-term lease expenses for plants, pipelines and networks	**58,825**	69,811
Provision of services	**—**	355
Purchase of goods	**12,207**	198
Purchase of materials	**9,438**	7,918
Purchase of steam for sale of heat and thermal power	**889,210**	856,789
Sales of goods	**82,588**	95,337

note: The related parties are entities controlled by Tianjin Pharmaceutical, entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries and an investment accounted for using the equity method. Balances with related companies are set out in Note 24.

(ii) Key management compensation

	2019 HK$'000	2018 HK$'000
Fees	**—**	—
Salaries, share-based payment expense and other emoluments	**4,606**	5,965
Retirement benefits scheme contribution	**48**	54
	4,654	6,019

The emoluments of certain executive directors and senior management were borne by Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) for both years.

47. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2019 and 2018 are set out below:

			Percentage					
			2019			2018		
Name	**Principal activities**	**Registered capital/issued and paid up capital**	**Effective interest attributable to the Group %**	**Held by the Company %**	**Held by subsidiaries %**	Effective interest attributable to the Group %	Held by the Company %	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**	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**	43.55	–	65
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**	**–**	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**	**–**	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**	**–**	100	100	–
Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Tsinlien Electric") (Note 8)^ 天津泰達津聯電力有限公司	Supply of electricity	RMB314,342,450	**N/A**	**N/A**	**N/A**	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**	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**	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	RMB50,776,070	**64.91**	**–**	**78.45**	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**	82.74	–	100
Incorporated in the Cayman Islands and operating in Hong Kong								
Thrive Leap Limited ("Thrive Leap")	Investment holding	US$10,000	**67**	**–**	**67**	67	–	67
Incorporated in the British Virgin Islands and operating in Hong Kong								
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	**–**	100	100	–
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	**–**	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**	100	–	100
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK$15	**100**	**–**	**100**	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.

* Wholly-foreign owned enterprise

^ Sino-foreign equity joint venture

\# Listed on the Shenzhen Stock Exchange with limited liability

^^ Limited liability company

47. PRINCIPAL SUBSIDIARIES (continued)

Composition of the Group

At the end of the reporting period, the Company has 30 (2018: 30) other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. 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 subsidiary	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	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Tianjin Tai Kang	The PRC	**17.26**	17.26	**28,169**	29,628	**705,828**	713,152
Thrive Leap Group	Cayman Islands/Hong Kong	**33**	33	**149,228**	361,192	**3,771,185**	3,961,060
Other individual immaterial subsidiaries with non-controlling interests				**4,952**	10,897	**52,385**	109,622
				182,349	401,717	**4,529,398**	4,783,834

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.

Tianjin Tai Kang

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Current assets	**3,011,600**	2,736,637
Non-current assets	**1,928,063**	2,092,721
Current liabilities	**(2,016,590)**	(1,901,619)
Non-current liabilities	**(24,546)**	(27,553)
Equity attributable to owners of the Company	**2,192,699**	2,187,034
Non-controlling interests	**705,828**	713,152

47. PRINCIPAL SUBSIDIARIES (continued)

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

Tianjin Tai Kang (continued)

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**1,127,285**	1,244,890
Share of net profit of associates and joint ventures accounted for using the equity method	**272,087**	249,493
Profit for the year	**181,253**	124,060
Other comprehensive expense for the year	**(63,534)**	(141,279)
Total comprehensive income (expense) for the year	**117,719**	(17,219)
Profit for the year attributable to non-controlling interests	**28,169**	29,628
Total comprehensive income (expense) for the year attributable to non-controlling interests	**14,160**	(5,385)
Net cash inflow (outflow) from operating activities	**55,062**	(200,113)
Net cash inflow from investing activities	**268,406**	128,642
Net cash outflow from financing activities	**(110,336)**	(169,527)
Net cash inflow (outflow)	**213,132**	(240,998)

Thrive Leap Group

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Current assets	**3,497,767**	3,523,118
Non-current assets	**4,010,665**	4,474,044
Current liabilities	**(842,983)**	(997,636)
Non-current liabilities	**(206,882)**	(261,419)
Equity attributable to owners of the Company	**2,687,382**	2,777,047
Non-controlling interests	**3,771,185**	3,961,060

47. PRINCIPAL SUBSIDIARIES (continued)

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

Thrive Leap Group (continued)

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**1,903,359**	2,574,809
Share of net profit (loss) of associates and joint ventures accounted for using the equity method	**2,685**	(9,739)
Profit for the year	**231,960**	851,532
Other comprehensive expense for the year	**(484,122)**	(587,139)
Total comprehensive (expense) income for the year	**(252,162)**	264,393
Profit for the year attributable to non-controlling interests of Thrive Leap Group	**149,228**	361,192
Total comprehensive expense for the year attributable to non-controlling interests	**(152,734)**	(8,453)
Dividends paid to non-controlling interests	**(30,220)**	(31,545)
Net cash inflow from operating activities	**269,955**	237,543
Net cash inflow (outflow) from investing activities	**1,440,264**	(819,135)
Net cash outflow from financing activities	**(60,622)**	(164,540)
Net cash inflow (outflow)	**1,649,597**	(746,132)

47. PRINCIPAL SUBSIDIARIES (continued)

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

Additional information to Thrive Leap Group:

Lisheng and its subsidiaries (Consolidated in Thrive Leap Group)

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Current assets	**2,753,564**	2,634,611
Non-current assets	**3,207,003**	3,558,101
Current liabilities	**(799,906)**	(785,561)
Non-current liabilities	**(219,759)**	(261,855)
Equity attributable to Thrive Leap	**2,537,647**	2,642,624
Non-controlling interests	**2,403,255**	2,502,672

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**1,777,227**	1,738,862
Share of net loss of associates and joint ventures accounted for using the equity method	**(2,685)**	(2,111)
Profit for the year	**222,977**	222,156
Other comprehensive expense for the year	**(335,602)**	(514,830)
Total comprehensive expense for the year	**(112,625)**	(292,674)
Profit for the year attributable to non-controlling interests	**108,456**	108,057
Total comprehensive expense for the year attributable to non-controlling interests	**(54,781)**	(142,356)
Dividends paid to non-controlling interests	**(30,220)**	(31,545)
Net cash inflow from operating activities	**304,570**	192,757
Net cash outflow from investing activities	**(74,970)**	(75,685)
Net cash outflow from financing activities	**(74,800)**	(109,345)
Net cash inflow	**154,800**	7,727

48. DISPOSAL OF SUBSIDIARIES

On 6 August 2018, Tianjin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司) ("Jinhao Pharmaceutical"), an indirect non-wholly owned subsidiary of the Company, entered into a joint cooperation agreement with Tianjin China Merchants Tianhe Pharmaceutical Technology Development Partnership (limited partnership) (天津招商天合醫藥科技發展合夥企業（有限合夥）) ("China Merchants Tianhe") in relation to the disposal of part of the equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute"), which was then wholly owned by Jinhao Pharmaceutical to China Merchants Tianhe through a combination of (i) China Merchants Tianhe, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 by way of cash contribution into Research Institute, in which, RMB33,889,796 will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 will be contributed towards the capital reserve of Research Institute; and (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to China Merchants Tianhe for a consideration of RMB399,270,000 (the "Disposal"). Upon the completion of the Disposal on 31 October 2018, Research Institute was held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe and the Group recognised a Disposal gain of HK$622,323,000 during the year ended 31 December 2018.

The Group has adopted equity accounting in respect of its interest on Research Institute thereafter. The net assets of Research Institute at the date of disposal were as follows:

	HK$'000
Consideration:	
Consideration received	464,267
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	711,700
Land use rights	100,050
Intangible assets	56,774
Investment properties	5,767
Investments accounted for using the equity method	18,181
Deferred tax assets	10,609
Equity instruments at fair value through other comprehensive income	93,864
Inventories	120,126
Trade and other receivables	156,239
Time deposits with maturity over three months	15,320
Cash and cash equivalents	246,513
Trade and other payables	(267,215)
Amount due to Jinhao Pharmaceutical	(172,807)
Contract liabilities	(34,366)
Bank borrowings	(126,410)
Defined benefit obligations	(52,395)
Deferred income	(95,155)
Current tax liabilities	(73,364)
Deferred tax liabilities	(13,573)
Net assets disposed of	699,858

48. DISPOSAL OF SUBSIDIARIES (continued)

	HK$'000
Gain on disposal of a subsidiary:	
Consideration	464,267
Net assets disposed of	(699,858)
An investment accounted for using the equity method	851,187
Non-controlling interests	92,997
Capital gain tax provision	(85,543)
Transaction costs	(727)
Gain on disposal	622,323
Net cash inflow arising on disposal:	
Total consideration	464,267
Less: bank balances and cash disposed of	(246,513)
	217,754

The impact of Research Institute on the Group's results and cash flows during the year ended 31 December 2018 was not significant.

49. PRINCIPAL ASSOCIATES AND JOINT VENTURES

(a) Associates

			Percentage					
			2019			2018		
Name	Principal activities	Registered capital/issued and paid up capital	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %
Established and operating in the PRC								
Otis Elevator (China) Investment Company Limited ("Otis China") 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**	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**	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**	40	–	40
Tianjin Institute of Pharmaceutical Research Co. Ltd. 天津藥物研究院有限公司 (Note 48)	Investment holding and research and development of new medicine technology and new products	RMB72,881,000	**23.45**	**–**	**35**	23.45	–	35
Tianjin TEDA Electric Power Co., Ltd. ("TEDA Power")^ 天津泰達電力有限公司 (Note 8)	Supply of electricity	RMB1,100,164,686	**47.09**	**–**	**47.09**	N/A	N/A	N/A
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**	21	–	21

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

^ Sino foreign equity joint venture

Listed on the Main Board of Stock Exchange

49. PRINCIPAL ASSOCIATES AND JOINT VENTURES (continued)

(b) Joint ventures

			Percentage					
			2019			2018		
Name	Principal activities	Registered capital/issued and paid up capital	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	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**	40	–	40
Liaoning Wang Chao Wunushan Icewine Co., Ltd. ("Wunushan Icewine") 遼寧王朝五女山冰酒莊有限公司	Operation of hospitality business	RMB98,250,000	**56**	**–**	**56**	56	–	56

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

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 15 May 2020.

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 27 March 2020, the Company announced its intention to dispose of its entire equity interest in Tianfa Equipment held by Tianjin Tai Kang, a non-wholly owned subsidiary of the Company, and to assign the related shareholder's loan by Tianjin Tai Kang by way of public listing-for-sale process on the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC on 30 March 2020 ("Potential Disposal"). The initial bidding price for the Potential Disposal is RMB158,682,000 (equivalent to approximately HK$176,529,000), of which, equity interest amounts to RMB8,682,000 and the related shareholder's loan amounts to RMB150,000,000. The final consideration for the Potential Disposal will depend on the final bid price to be offered by the successful bidder in the public listing-for-sale process. Tianjin Tai Kang will enter into a formal agreement with the successful bidder following the completion of the public listing-for-sale process.

As at the date of the Group's audited consolidated financial statements authorised for issue by the board of directors of the Company, Tianjin Tai Kang has not entered into any formal agreement regarding the Potential Disposal. Details of the Potential Disposal was disclosed in the Company's announcement dated 27 March 2020.

(b) Following the outbreak of the novel coronavirus ("Coronavirus") in early 2020, precautionary and control measures including travel restrictions, quarantine and temporary delays in resumption of work have been and continued to be taken across China. The ongoing Coronavirus outbreak in China and beyond has created a high level of uncertainty to the near-term economic prospects and the Group's customers will likely be negatively impacted subsequent to the financial year end. The Group has taken the necessary actions to minimise the impact of Coronavirus to its operations and will continue to carefully monitor the situation and evaluate the impact on the financial position and operating performance of the Group.

In preparing these consolidated financial statements, the impact of Coronavirus has not been considered as it is a post balance sheet non-adjusting event. The extent of the impact of Coronavirus on the Group's operational and financial performance has yet to be assessed and will be reflected in the Group's future financial statements when such actual impact is evaluated.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,913**	114
Investment properties		**113,504**	114,954
Interests in subsidiaries		**4,018,840**	4,110,594
Advances to subsidiaries		**5,890,626**	5,990,250
		10,027,883	10,215,912
Current assets			
Amount due from ultimate holding company		**399**	390
Other receivables, deposits and prepayments		**4,974**	5,013
Cash and cash equivalents		**698,815**	515,017
		704,188	520,420
Total assets		**10,732,071**	10,736,332
EQUITY			
Owners of the Company			
Share capital		**5,136,285**	5,136,285
Reserves	53	**1,520,431**	1,730,365
Total equity		**6,656,716**	6,866,650
LIABILITIES			
Non-current liabilities			
Bank borrowings		**1,985,417**	—
Amounts due to subsidiaries		**2,039,148**	2,040,327
Deferred tax liabilities		**3,213**	3,286
		4,027,778	2,043,613
Current liabilities			
Bank borrowings		**—**	1,795,875
Accruals		**42,721**	30,194
Lease liability (note)		**4,856**	—
		47,577	1,826,069
Total liabilities		**4,075,355**	3,869,682
Total equity and liabilities		**10,732,071**	10,736,332
Net current assets (liabilities)		**656,611**	(1,305,649)
Total assets less current liabilities		**10,684,494**	8,910,263

note: The Company has applied HKFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liability of HK$13,182,000 and right-of-use assets for own use of HK$13,182,000 were recognised on initial application of HKFRS 16.

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 15 May 2020 and are signed on its behalf by:

Wang Zhiyong
Director

Chen Yanhua
Director

53. RESERVES OF THE COMPANY

	Share-based payments reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	19,362	1,340,685	620,275	1,980,322
Profit for the year	—	—	161,601	161,601
Other comprehensive expense for the year	—	(327,775)	—	(327,775)
Dividends	—	—	(83,783)	(83,783)
At 31 December 2018	**19,362**	**1,012,910**	**698,093**	**1,730,365**
Profit for the year	**—**	**—**	**27,302**	**27,302**
Other comprehensive expense for the year	**—**	**(150,986)**	**—**	**(150,986)**
Lapse of share options	**(19,362)**	**—**	**19,362**	**—**
Dividends	**—**	**—**	**(86,250)**	**(86,250)**
At 31 December 2019	**—**	**861,924**	**658,507**	**1,520,431**

At 31 December 2019, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$658,507,000 (2018: HK$698,093,000).

Financial Summary

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Results					
Revenue	6,368,910	6,110,176	4,517,607	5,391,500	**4,549,058**
Operating profit less finance costs	95,625	205,704	108,209	557,227	**207,615**
Share of net profit of associates and joint ventures accounted for using the equity method	679,117	508,027	425,060	318,872	**363,420**
Profit before tax	774,742	713,731	533,269	876,099	**571,035**
Tax expense	(71,533)	(49,989)	(32,219)	(86,630)	**(61,891)**
Profit for the year from continuing operations	703,209	663,742	501,050	789,469	**509,144**
Electricity business					
Profit for the year from electricity business	—	—	77,441	84,179	**134,646**
Profit for the year	703,209	663,742	578,491	873,648	**643,790**
Attributable to:					
Owners of the Company	562,351	515,214	488,837	471,931	**461,441**
Non-controlling interests	140,858	148,528	89,654	401,717	**182,349**
	703,209	663,742	578,491	873,648	**643,790**
Dividends	109,208	109,208	98,373	83,783	**86,250**
Assets and liabilities					
Total assets	23,013,422	20,719,301	22,605,644	23,001,454	**22,556,153**
Total liabilities	9,231,222	7,341,938	7,858,454	6,900,621	**6,664,341**
Total equity	13,782,200	13,377,363	14,747,190	16,100,833	**15,891,812**

note: The results of electricity business prior to 2017 have not been reclassified.