



天津发展 控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Annual Report

2023

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Teng Fei (*Chairman*)
Dr. Zhai Xinxiang (*General Manager*)

Non-Executive Director

Mr. Sun Lijun

Independent Non-Executive Directors

Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Mr. Lau Ka Keung
Mr. Sin Hendrick

AUTHORISED REPRESENTATIVES

Mr. Teng Fei
Dr. Zhai Xinxiang

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

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 882

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Tianjin Development Holdings Limited



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.	34.07%	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

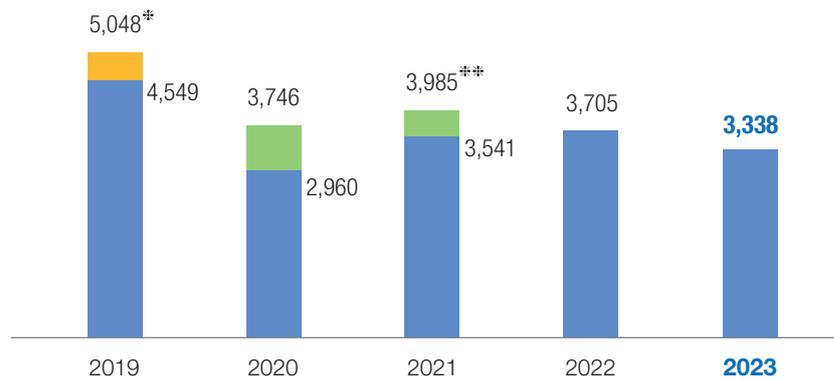
STRATEGIC AND OTHER INVESTMENTS

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. The effective equity interest in Tianjin Lisheng Pharmaceutical Co., Ltd. held by the Group has taken into account the equity interest held under treasury shares as if the relevant employees were entitled to their ownership of treasury shares under the restricted shares incentive scheme.

Revenue

HK\$ million



for the year ended 31 December

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

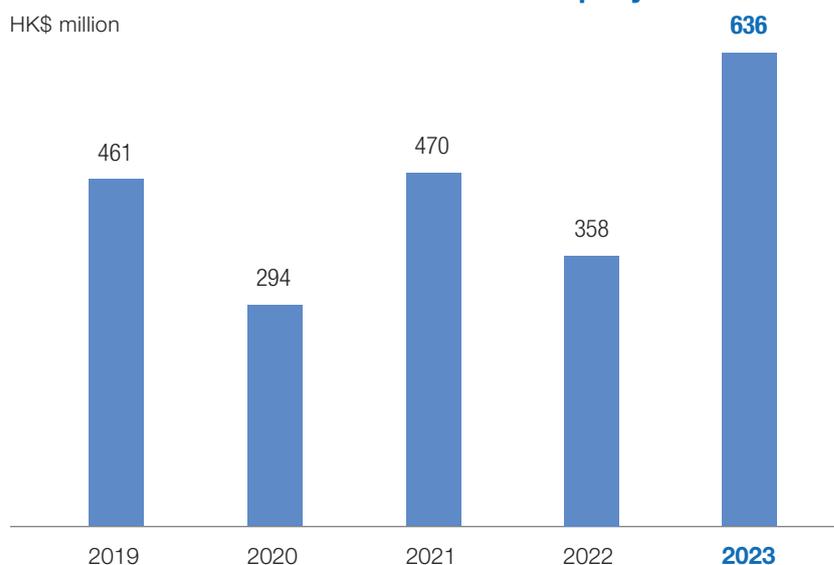
** The presses and mechanical equipment business has been disposed of in September 2021 and ceased to be the subsidiaries of the Group since then.

■ Result of the electricity business is separately presented from the continuing operations.

■ Result of the presses and mechanical equipment business is separately presented from the continuing operations. The results prior to 2020 have not been restated.

Profit Attributable to Owners of the Company

HK\$ million



for the year ended 31 December

Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

For the year ended 31 December

Revenue

	2023 HK\$ million	2022 HK\$ million	Changes %
Utilities	1,600	1,859	(13.9)
Pharmaceutical	1,441	1,487	(3.1)
Hotel	130	78	66.7
Electrical and mechanical	167	281	(40.6)
	3,338	3,705	(9.9)

Profit (Loss) Attributable to Owners of the Company

	2023 HK\$ million	2022 HK\$ million	Changes HK\$ million
Utilities	110	117	(7)
Pharmaceutical ^(note)	106	14	92
Hotel	18	3	15
Electrical and mechanical	(29)	(11)	(18)
Port services	153	70	83
Elevators and escalators	325	325	–
Corporate and others	(47)	(160)	113
	636	358	278

note:

Pharmaceutical in 2023 includes an one-off gain of approximately RMB238,597,000 (equivalent to approximately HK\$265,108,000) regarding the resumption of the parcels of land and building for industrial use located in Tianjin.

PROFIT AND DIVIDEND FOR THE YEAR 2023

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2023 was approximately HK\$635.6 million, as compared to HK\$358.2 million of last year. The Board recommends payment of a final dividend of HK8.80 cents per share for the year ended 31 December 2023. This final dividend together with the interim dividend of HK3.45 cents per share already paid, will make a total of HK12.25 cents per share for the full year of 2023, representing an increase of 37% as compared to 2022.

BUSINESS OVERVIEW

In 2023, the Company achieved satisfactory results. During the year, Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) ("Lisheng Pharmaceutical"), the listed subsidiary of the Group, entered into an agreement to acquire 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司), with the view of enhancing its industry chain and expanding its sales network and maximising its brand value through this manufacturing platform for proprietary Chinese medicine. The development strategies of the Company in future will be restructuring its businesses and expanding through mergers and acquisitions. The Company will also focus on businesses with sustainable development potential.

The utilities sector was stable and achieved the expected results. Along with the high-quality development of innovation and industrial structure upgrading in the Tianjin Economic and Technological Development Area, the utilities sector will see further development.

The pharmaceutical sector was stable and reported annual revenue of approximately HK\$1,441.4 million and profit of approximately HK\$370.1 million. In response to the development of Tianjin city's overall urban planning, the disposal of the parcels of land and buildings for industrial use located at Huanghe Road, Nankai District had been completed during the year and recorded a disposal gain of approximately HK\$264,936,000. During the year, the National Development and Reform Commission announced the list of the National Enterprise Technology Centers in 2022 (the 29th batch) (2022年(第29批)新認定國家企業技術中心名單) and Lisheng Pharmaceutical was identified as "National Enterprise Technology Center", demonstrating that Lisheng Pharmaceutical has received various authoritative recognition in terms of technological innovation, scientific research strength and achievements of innovation development. Its Propranolol Hydrochloride Tablets and Atenolol Tablets from Central Pharmaceutical, the subsidiary of Lisheng Pharmaceutical, have passed the consistency evaluation for the quality and efficacy as generic drugs, respectively, and further enhanced its competitiveness in the pharmaceutical industry. With its solid research and development and production capabilities as well as its strong marketing skills, Lisheng Pharmaceutical continued to be ranked among the "TOP 100 Chemical Pharmaceutical Companies in China (中國化藥企業TOP 100排行榜)" and was also accredited as one of the "2022 Top 100 Companies of Pharmaceutical Industries in China (2022年度中國醫藥工業百強系列榜單)" by Menet (米內網). Its indapamide tablet products (product name: Shoubishan) and Maren soft capsules were awarded the "West Lake Award • Most Popular Star Product for Pharmacies (西湖獎 • 最受藥店歡迎的明星單品)" for their superior product quality and reputation, which demonstrated the further enhancement of its brand influence and products' key advantages. During the year, Tianjin Yiyao Printing Co., Ltd., a subsidiary of the Company, was selected as the "Specialised, Sophisticated, Unique and Innovative Enterprise in Tianjin" in 2023 by the Tianjin Municipal Bureau of Industry and Information Technology (天津市工業和信息化局), which is a full recognition of its innovation capability, research and development strength, system management capability and digitalisation level.

Hotel Courtyard by Marriott in Hong Kong maintained its good performance thanks to the reopening of the border between Mainland China and Hong Kong at the beginning of the year. During the year, the average room price increased while the average occupancy rate was at approximately 83.2%.

Chairman's Statement

BUSINESS OVERVIEW (continued)

Electrical and mechanical business continued to face more difficulties, and the annual revenue decreased by 40.7 % to approximately HK\$166.8 million and continued to suffer an operating loss. With the rapid growth of the modern pumped hydropower storage industry, it will offer new opportunities for the electrical and mechanical business.

During the year, the strategic investments received expected returns. The profit contributions from Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited have exceeded target levels.

PROSPECT

Looking ahead to 2024, the pace of economic recovery in the world's leading economies is mixed while uncertainties remain persisted. Upcoming elections in major countries and geopolitical changes, etc. have made the external environment more complex and unpredictable. The China's economy is facing downward pressure due to shifting growth pace, industrial structures upgrading, and the transition from old to new momentum. However, China's economy shows great resilience and its fundamentals remains unchanged, and are expected to be stable and sound in the long run. With the implementation of a series of supportive policies, China's economy will maintain an overall stable trend.

Under the new situation, the Company will be capable of dealing with the challenges ahead with its solid business and financial strength. While maintaining steady and sustainable development of various businesses, the Company will speed up its development and actively take part in the Tianjin city's initiative to deepen and upgrade state-owned enterprises reform. The Company will also proactively plan out its development so as to seize new opportunities. We are confident about the future.

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

Teng Fei

Chairman and Executive Director

Hong Kong, 27 March 2024

BUSINESS REVIEW

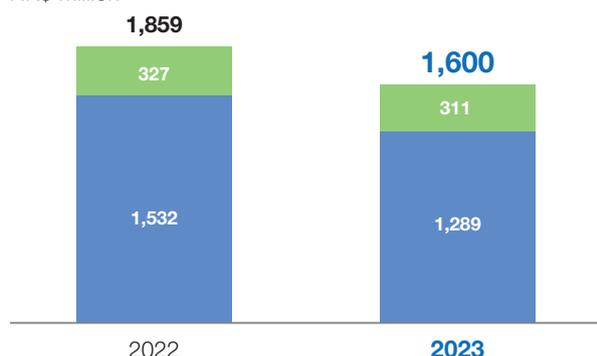
Utilities

The Group's utility businesses are mainly operated in the Tianjin Economic and Technological Development Area ("TEDA") in the People's Republic of China (the "PRC") through supplying water, heat and thermal power as well as electricity to industrial, commercial and residential customers.

TEDA is a national development zone and has long been in a leading position in terms of overall capabilities in the PRC. Situated at the centre of Bohai economic rim and also at the intersection of Beijing-Tianjin-Hebei metropolitan regions, TEDA is an ideal place for manufacturing and R&D developments.

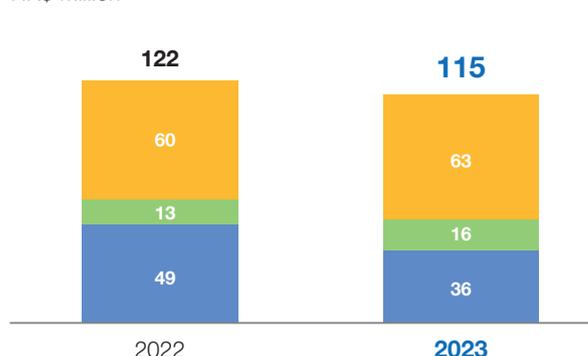
Revenue

HK\$ million



Profit

HK\$ million



■ Water ■ Heat and thermal power ■ Electricity, accounted for using the equity method

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. (天津泰達津聯自來水有限公司) ("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 325,000 tonnes (2022: 325,000 tonnes).

In 2023, revenue from the Water Company was approximately HK\$311.3 million, a decrease of 4.8% from HK\$327 million last year. Profit from the Water Company was approximately HK\$16 million, an increase of 20.3% from HK\$13.3 million in 2022. The increase in profit was mainly due to higher operating margin driven by the tariff improvement and lower administrative expenses, partly offset by lower ancillary services income. The total quantity of water sold for the year was approximately 47,179,000 tonnes, broadly maintained at the same level as that of last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (天津泰達津聯熱電有限公司) ("Heat and Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat and Power Company has transmission pipelines of approximately 549 kilometres (2022: 462 kilometres) and more than 120 processing stations (2022: 120 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

Management Discussion and Analysis

Utilities (Continued)

Heat and Thermal Power (Continued)

In 2023, the Heat and Power Company reported revenue of approximately HK\$1,288.5 million, a decline of 15.9% from HK\$1,532.3 million last year. Profit from the Heat and Power Company was approximately HK\$35.9 million, as compared with HK\$49.3 million in 2022. The decline in both revenue and profit was mainly due to the decrease in government supplemental income. Such side effect on profit was partly offset by a combination of tariff improvement and reduction in average steam purchase cost. The total quantity of steam sold for the year was approximately 3,588,000 tonnes, representing a decrease of 3.4% over last year.

Electricity

As at 31 December 2023, the Group has 47.09% equity interest in Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“**TEDA Power**”). TEDA Power is principally engaged in supply of electricity in TEDA and 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 996,000 kVA.

During the year, the revenue of TEDA Power amounted to approximately HK\$2,504.5 million, representing a decrease of 3% compared with last year. TEDA Power contributed to the Group a profit of approximately HK\$63 million, an increase of 5.4% from HK\$59.8 million in 2022. The total quantity of electricity sold for the year was approximately 3,092,394,000 kWh, representing a decline of 2.4% 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 2023, revenue from pharmaceutical segment was approximately HK\$1,441.4 million, a decline of 3.1% from HK\$1,486.8 million last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$1,266.9 million, a decrease of 4.5% from HK\$1,326.9 million in 2022. Revenue from sale of packaging materials amounted to approximately HK\$174.5 million, an increase of 9.1% from HK\$159.9 million last year. Profit from pharmaceutical segment was approximately HK\$370.1 million, compared with HK\$80.8 million last year.

During the year, the revenue of Research Institute decreased by 26.9% to approximately HK\$547.1 million and contributed to the Group a loss (after non-controlling interests) of approximately HK\$46.6 million, as compared with a loss of HK\$51 million in 2022.

The increase in profit from pharmaceutical segment was primarily due to the one-off gain of approximately HK\$265.1 million on the resumption of the parcels of land and building for industrial use located at No. 491, Huanghe Road, Nankai District, Tianjin and lower of selling and distribution expense as well as general and administrative expenses. Stripping out the one-off gain on the resumption of land and building, profit from pharmaceutical segment would have been approximately HK\$105 million.

Management Discussion and Analysis

Pharmaceutical (Continued)

On 10 October 2023, Tianjin Lisheng Pharmaceutical Co., Ltd (天津力生製藥股份有限公司) (“**Lisheng Pharmaceutical**”, an indirect non-wholly owned subsidiary of the Company) entered into the equity transfer agreement with Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) in relation to the disposal of the entire 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) held by Lisheng Pharmaceutical at a total consideration of RMB87,823,860. The disposal is not yet completed as at the date of this report and its details are set out in the announcements dated 25 August 2023 and 10 October 2023 and the circular of the Company dated 10 November 2023.

On 29 December 2023, Lisheng Pharmaceutical entered into an agreement with Jiangxi Qingchun Kangyuan Group Co., Ltd. (江西青春康源集團有限公司), Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd. (江西青春康源中藥股份有限公司), Mr. Liu Musheng and Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司) (“**Qingchun Kangyuan**”) in relation to the acquisition of 65% equity interest in Qingchun Kangyuan by Lisheng Pharmaceutical at a consideration of RMB136,991,855. Qingchun Kangyuan is principally engaged in the research and development, production and sales of proprietary Chinese medicines and other healthcare products in the PRC. It is also operating a B2B e-commerce platform which is working with the market player across the value chain of pharmaceutical industry, pharmaceutical manufacturers, distributors, wholesalers and pharmacies, to build a data-driven, reliable and efficient pharmaceutical supply chain. The acquisition has been completed in February 2024. Details of the acquisition are set out in the announcement dated 29 December 2023.

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 2023, Courtyard Hotel reported revenue of approximately HK\$130.4 million, an increase of 67.8% from HK\$77.7 million. Profit from Courtyard Hotel was approximately HK\$17.8 million compared to a profit of HK\$2.6 million last year. The increase in operating result of Courtyard Hotel was primarily due to the reopening of the borders with China at the beginning of 2023. The average room rate increased slightly and the average occupancy rate was approximately 83.2%, nineteen percentage points improvement over last year.

Electrical and Mechanical

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

In 2023, revenue from electrical and mechanical business of approximately HK\$166.8 million, as compared with HK\$281.4 million last year. Loss from electrical and mechanical business was approximately HK\$35.5 million compared to a loss of HK\$13.8 million in 2022. The loss was primarily attributable to lower revenue as a results of the lower level of contract works completed in the hydroelectric equipment business and lower operating margins, partly offset by lower finance costs following the repayment in full of its outstanding bank borrowings in late 2022.

Management Discussion and Analysis

Strategic and Other Investments

Port Services

As at 31 December 2023, 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.

During the year, the revenue of Tianjin Port increased by 3.6% to approximately HK\$13,479.8 million and profit attributable to owners of Tianjin Port was approximately HK\$729.9 million.

Tianjin Port contributed to the Group a profit of approximately HK\$153.3 million, representing an increase of 119.3% over last year.

Elevators and Escalators

As at 31 December 2023, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited (奧的斯電梯(中國)投資有限公司) (“**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\$20,629.4 million, representing a decrease of 17.6% compared with last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$325.3 million, broadly maintained at the same level as that of last year.

Investment in Binhai Investment Company Limited

As at 31 December 2023, the Group has 4.07% 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\$79.3 million (2022: approximately HK\$86.5 million) and the unrealised fair value loss of approximately HK\$7.2 million (2022: approximately HK\$0.5 million) was recognised in other comprehensive income.

Investment in Tasly Holding Group Co., Ltd.

As at 31 December 2023, 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 at an investment costs of HK\$191.5 million and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司) (“**Central Pharmaceutical**”), a wholly-owned subsidiary of Lisheng Pharmaceutical. 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 45.57% 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.

As at 31 December 2023, the fair value of investment in Tasly Holding was approximately HK\$1,587.1 million (2022: approximately HK\$1,072.3 million), accounting for approximately 7.1% of the Group’s total assets, and on that date the fair value gain together with the exchange effect amounted to approximately HK\$514.8 million has been recognised in other comprehensive income. During the year, there was no dividend distribution from Tasly Holding (2022: approximately HK\$14.1 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

Looking ahead to 2024, the pace of economic recovery in the world's leading economies is mixed while uncertainties remain persisted. Upcoming elections in major countries and geopolitical changes, etc. have made the external environment more complex and unpredictable. The China's economy is facing downward pressure due to shifting growth pace, industrial structures upgrading, and the transition from old to new momentum. However, China's economy shows great resilience and its fundamentals remains unchanged, and are expected to be stable and sound in the long run. With the implementation of a series of supportive policies, China's economy will maintain an overall steady trend.

Under the new situation, the Company will be capable of dealing with the challenges ahead with its solid business and financial strength. While maintaining steady and sustainable development of various businesses, the Company will speed up its development and actively take part in the Tianjin city's initiative to deepen and upgrade state-owned enterprises reform. The Company will also proactively plan out its development so as to seize new opportunities.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2023, the total cash on hand and total bank borrowings of the Group stood at approximately HK\$6,604.7 million and HK\$1,810.6 million respectively (2022: approximately HK\$6,338.5 million and HK\$1,564.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$100 million (2022: nil) will mature within one year. During the year ended 31 December 2023, the Group entered into a loan agreement with commercial bank in Hong Kong, pursuant to which loan facility of up to HK\$100 million were made available to the Group subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods. The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 14.4% as at 31 December 2023 (2022: approximately 13%).

Bank borrowings of HK\$1,710.6 million outstanding as at 31 December 2023 were subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods. This interest rate is linked to the sustainability performance of the Group's environmental, social and governance performance metrics, which may be reduced depending on the extent of pre-determined key performance indicators being met.

As at 31 December 2023 and 31 December 2022, all of the Group's bank borrowings was denominated in Hong Kong dollar.

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, structured deposits, 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.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of approximately 2,376 employees (2022: 2,490) of which approximately 214 (2022: 215) were management personnel and 754 (2022: 784) 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. Meanwhile, certain employees and employee groups of the Group's subsidiary in the PRC are also eligible for the relevant restricted share incentive scheme. During the year ended 31 December 2023, the Group had no forfeited contributions under the retirement benefits scheme that might be used by the Group to reduce the existing level of contributions (2022: Nil).

CHARGE ON ASSETS

As at 31 December 2023, restricted bank balances of HK\$216.9 million (2022: HK\$178.9 million) was pledged to financial institutions by the Group to secure general banking facilities.

LITIGATION

As disclosed in the announcements of the Company dated 3 August 2023, 10 August 2023 and 30 December 2023 (the "**Announcements**"), Central Pharmaceutical was a party to a litigation arising from the ordinary course of business with its sales and marketing agent (the "**Agent**"). As stated in the Announcements, certain assets of Central Pharmaceutical had been retained as a request of claim for a payment in relation to the provision of sales and marketing services to Central Pharmaceutical. Central Pharmaceutical had lodged a petition for counterclaim on 7 August 2023 and received the civil judgement of the trial of first instance issued by Tianjin No.2 Intermediate People's Court on 8 December 2023. The Agent was not satisfied with the judgement and filed a civil petition for appeal to the Higher People's Court of Tianjin on 19 December 2023. Central Pharmaceutical had also lodged a civil petition for appeal on 21 December 2023 and is pending the Higher People's Court of Tianjin hearing. The management of the Group are of the opinion that any possible legal liability which may incur from such litigation shall not have material adverse effect on the financial position of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.80 cents per share for the year ended 31 December 2023 (2022: HK5.50 cents per share) to the shareholders whose names appear on the Company's register of members on 26 June 2024. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 13 June 2024, the final dividend will be paid on 29 July 2024.

The final dividend together with the interim dividend of HK3.45 cents per share paid on 30 October 2023 makes a total of HK12.25 cents per share for the year (2022: HK8.95 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 June 2024 (Friday) to 13 June 2024 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 6 June 2024 (Thursday).

The register of members of the Company will be closed from 24 June 2024 (Monday) to 26 June 2024 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 21 June 2024 (Friday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. TENG Fei, aged 45, was appointed as the Chairman of the Board of the Company on 27 March 2024. Mr. Teng was appointed as an Executive Director and Deputy General Manager of the Company on 30 March 2023. He is also the Chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Investment Committee of the Company. Mr. Teng is a senior engineer, graduated from Tianjin University with a Master of Business Administration degree. Prior to joining the Company, he had served in various roles including assistant to general manager of Tianjin Zhonghuan Electronics Computer Co. (天津市中環電子計算機公司), assistant manager of Tianjin Zhonghuan Huaxiang Electronics Co., Ltd. (天津市中環華祥電子有限公司), deputy general manager of iMarketChina Co., Ltd. (三星愛商(天津)國際物流有限公司), general manager of Tianjin Zhonghuan Electronics Computer Co., Ltd. (天津市中環電子計算機有限公司), chairman of Tianjin Huanbo Science and Technology Co., Ltd. (天津環博科技有限公司), president of Cashway Fintech Co., Ltd. (恆銀金融科技股份有限公司) (Stock Code: 603106.SH) and Hengrong Investment Holdings Co., Ltd. (恆融投資集團有限公司). Mr. Teng is currently a director and general manager of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) and Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of the Company. He has extensive experience in corporate management, specialising in production and manufacturing enterprises management.

Dr. ZHAI Xinxiang, aged 56, was appointed as an Executive Director and General Manager of the Company on 29 September 2023. Dr. Zhai is a senior engineer, graduated from Tianjin Institute of Light Industry major in food engineering in 1989, studied in graduate school of corporate management from Graduate School of Chinese Academy of Social Sciences from 1996 to 1998, and studied in Tianjin University major in technology economic and management from 2002 to 2005, and obtained a Doctoral Degree in Management in 2005. Prior to joining of the Company, he has been in various roles including Tianjin Great Wall Food Company, successively served as executive committee member of Communist Youth League of Tianjin (天津團市委), vice-chairman and chief secretary of Tianjin Youth Federation (天津市青年聯合會), deputy general manager of TEDA Microelectronics Industrial Zone Company (天津開發區微電子工業區總公司), chairman of Tianjin Binhai TEDA Hotel Development Co., Ltd. (天津濱海泰達酒店開發有限公司), chairman of Tianjin TEDA International Hotel Group Co., Ltd. (天津泰達國際酒店集團有限公司), director of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) and the president of Tianjin Tourism Association (天津市旅遊協會). Dr. Zhai is currently the deputy general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司), director and deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司), both being controlling shareholders of the Company, as well as a director of certain subsidiaries of the Company. He has in-depth and extensive experience in economics, corporate management and public relations.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. SUN Lijun, aged 41, was appointed as a Non-Executive Director of the Company on 30 March 2023. Mr. Sun is a senior accountant with the qualifications of certified public accountant and certified tax agent of the PRC. He graduated from Nankai University with a Bachelor's Degree in Management major in Accounting in 2004 and a Master's Degree in Management major in Accounting in 2006. Prior to joining the Company, Mr. Sun has been in financial related roles with several companies including China Unicom Corporation Limited, Tianjin Branch (中國聯通有限公司天津分公司), China Telecom Corporation Limited, Tianjin Branch (中國電信股份有限公司天津分公司), CECEP (Tianjin) Investment Group Co., Ltd. (中節能(天津)投資集團有限公司) and the property rights administrative office of China Shenhua Energy Company Limited (中國神華能源股份有限公司產權管理局). He had also served as supervisor of the finance department of China Nuclear (Tianjin) Machine Co., Ltd. (中核(天津)機械有限公司) and financial controller of Shanghai Huayi Jinjia Development Co., Ltd. (上海華義晉嘉企業發展有限公司). Mr. Sun joined Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("**TEDA Industrial**") since 2019 and has worked in various roles including deputy head of assets management department and head of finance department of TEDA Industrial and Tsinlien Group Company Limited (津聯集團有限公司) ("**Tsinlien**"). He is currently the financial controller of TEDA Industrial and Tsinlien, a supervisor of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), all being controlling shareholders of the Company, and a supervisor of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of TEDA Industrial. Mr. Sun has extensive experience in financial and treasury management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. NG Yi Kum, Estella, aged 66, 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 each of the Remuneration Committee and 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, 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 been an elected member of Quality Tourism Services Association Governing Council (Retailer Category) since February 2019. 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 CMGE Technology Group Limited (Stock Code: 302), Comba Telecom Systems Holdings Limited (Stock Code: 2342), KWG Living Group Holdings Limited (Stock Code: 3913) 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 CT Vision S.L. (International) Holdings Limited (Stock Code: 994) until 30 June 2022.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. WONG Shiu Hoi, Peter, aged 83, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of each of the Audit Committee and the Investment 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 an independent non-executive director of Tai Hing Group Holdings Limited (Stock Code: 6811), a company whose shares are listed on the Stock Exchange. Mr. Wong also served as a consultant of Halcyon Holdings Limited until 1 August 2021 and an independent non-executive director of High Fashion International Limited (Stock Code: 608), Target Insurance (Holdings) Limited (Stock Code: 6161) and Agile Group Holdings Limited (Stock Code: 3383) until 4 June 2021, 9 August 2021 and 26 June 2023 respectively.

Mr. LAU Ka Keung, *BBS, MH, JP*, aged 48, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Lau received his bachelor's degree in information technology from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008. Mr. Lau is a deputy of Hong Kong to the 14th session of National People's Congress of the PRC (中國第十四屆全國人民代表大會), an executive committee member of the 15th session of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十五屆委員會) and the vice chairman of Tianjin Federation of Industry and Commerce (天津市工商業聯合會). He has served as a member of the 13th session of National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆全國委員會), executive committee member of the 14th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十四屆委員會), executive member of the 13th session of All-China Youth Federation (中華全國青年聯合會第十三屆常務委員會委員) as well as the chairman of the 28th session of Hong Kong United Youth Association (香港青年聯會). Mr. Lau has extensive experience in business management. He is an executive director and chief executive officer of Million Cities Holdings Limited (Stock Code: 2892), an independent non-executive director of OrbusNeich Medical Group Holdings Limited (Stock Code: 6929) and had served as a non-executive director of Nameson Holdings Limited (Stock Code: 1982), and all of these companies are listed on the Stock Exchange.

Mr. SIN Hendrick, *MH*, aged 49, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Investment Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Sin received his triple bachelor's degrees in computer science/mathematics, economics and industrial management from Carnegie Mellon University in May 1996 and graduated from Stanford University with a master's degree in engineering-economic systems and operations research in June 1997. Mr. Sin is a deputy of Hong Kong to the 14th session of the National People's Congress of the PRC (中國第十四屆全國人民代表大會) and an executive committee member of the 15th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十五屆委員會). He is the president of the Internet Professional Association (香港互聯網專業協會), the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會) and a member of the Hong Kong Institute of Directors (香港董事學會). Mr. Sin has also been appointed by the Hong Kong Government as a director of Hong Kong Cyberport Management Company Limited (香港數碼港管理有限公司). Mr. Sin has extensive experience in corporate management, finance and investment banking. He is a co-founder, executive director and vice chairman of CMGE Technology Group Limited (Stock Code: 302) and also the founding and managing partner of China Prosperity Capital Fund, a leading venture capital firm with a primary focus on technology investment. Mr. Sin is currently an independent non-executive director of Evergreen Products Group Limited (Stock Code: 1962), Hong Kong Economic Times Holdings Limited (Stock Code: 423) and China Tower Corporation Limited (Stock Code: 788), all of these companies are listed on the Stock Exchange. He is also an independent director of 36 Kr Holdings Inc. (Stock Symbol: KRKR), a company listed on the NASDAQ Stock Exchange, and a non-independent director of Suning.com Group Co., Limited (蘇寧易購集團股份有限公司) (Stock Code: 002024.SZ), a company listed on the Shenzhen Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. YU Kexiang, aged 53, Assistant to General Manager of the Company. Mr. Yu graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1993 and a Master's Degree in Economics in 1999. He has been in financial asset investment management (foreign and domestic capital markets) and fund operations for many years. He joined the Company since 2010 and has served in various roles including deputy general manager and general manager of Tianjin Development Assets Management Company Limited (天津發展資產管理有限公司), a wholly-owned subsidiary of the Company. Prior to joining the Company, Mr. Yu was an assistant to manager of investment banking division and manager of securities division of Northern International Trust and Investment Company Limited (北方國際信託投資股份有限公司), head of operations of Tianjin Guoneng Investment Company Limited (天津國能投資有限公司), senior project manager of fund utilization department of Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司), etc. He is currently a director of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), the assistant to general manager and the head of capital operation department of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) (“**TEDA Industrial**”) and Tsinlien Group Company Limited (津聯集團有限公司) (“**Tsinlien**”), all being controlling shareholders of the Company, as well as a director of certain subsidiaries of TEDA Industrial, Tsinlien and the Company. Mr. Yu is also a non-executive director of Binhai Investment Company Limited (Stock Code: 2886) and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ).

Mr. CHONG Ching Hei, aged 51, Chief Financial Officer 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 been a fellow member since July 2023. Mr. Chong 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 46, 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 an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Lee is also a holder of the Practitioner's Endorsement from The Hong Kong Chartered Governance Institute and is accredited as a Certified ESG Planner CEP® by the International Chamber of Sustainable Development. She joined the Company since October 2010 as an assistant company secretary and has extensive experience in company secretarial practice.

Environmental, Social and Governance Report

This Environmental, Social, and Governance (“**ESG**”) Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**HKEx ESG Guide**”) as set out in Appendix C2 of the Main Board Listing 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.

REPORTING SCOPE

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 2023 (the “**Reporting Period**”, “**FY2023**”). 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.

REPORTING PRINCIPLES

The preparation of this report adheres to four reporting principles, namely materiality, quantitative, consistency, and balance.

- 1) **Materiality:** the final disclosing ESG issues have been confirmed by the management and the Board of the Company (“**the Board**”) according to the stakeholder engagement of identified material ESG issues during the Reporting Period.
- 2) **Quantitative:** the Group monitored various Key Performance Indicators (“**KPI**”) during the Reporting Period with comparison of historical data in order to evaluate and validate the effectiveness of ESG policies and management system. For all standards and methods adopted for calculating the KPI (if applicable), please refer to the relevant sections in the report.
- 3) **Balance:** Our ESG report provides an unbiased picture of the ESG performance of our Group.
- 4) **Consistency:** Our Group adopted consistent methodologies in the KPI calculation by comparing historical ESG data over time.

Based on these principles, we have conducted materiality assessment to assess the relative importance of the ESG topics identified and have adopted a consistent methodology to gather quantitative information, with narrative and comparative data where appropriate. This report also aims to provide an unbiased picture of the Group’s ESG performance, while avoiding selection, omission or presentation formats that may mislead the reader.

ESG GOVERNANCE

The Group is committed to incorporate sustainability into our daily operations and understanding stakeholders’ expectations of our ESG practices. An ESG governance structure is established to develop and implement various ESG policies, initiatives and plans across the Group.

Environmental, Social and Governance Report

The Board is responsible for overseeing the ESG activities of the Group, defining and approving ESG-related policies, targets and strategies from the Group perspective, and reviewing the progress made against them at least annually. An ESG working group, comprising representatives from the abovementioned principal operating segments and each of the key functions, has been established to collect ESG data and facilitate the ESG reporting process. The key functions include Company Secretary, Finance, Human Resources, Administrative, Purchasing, Customer Services and Strategic Planning departments, thereby allowing the Group to disclose necessary information across our operations in order to present a balanced picture of our ESG performance. The ESG working group is also responsible for overseeing the implementation of ESG policies and strategies and reports regularly to the Board. The Board is fully aware of the importance of controlling and managing ESG-related risks and continuously reviews the strategy and policy direction of the Group in relation to its ESG areas, in order to ensure the effectiveness of the risk management, compliance, and corresponding internal control system within the aspects of ESG. 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 also continuously monitor the ESG-related risks by ensuring that relevant ESG risks are considered in the annual risk assessment process, and appropriate internal controls are in place to manage the risks.

In order to drive further improvement on our sustainability performance, the Group has established several environmental targets:

- 5% deduction on air emissions and water discharge intensity per revenue in RMB'000 by 2025 as compared with FY2019;
- 5% deduction on hazardous waste production intensity per revenue in RMB'000 by 2025 as compared with FY2019;
- 5% deduction on intensity of electricity consumption (as well as greenhouse gas emission) for electrical and mechanical, pharmaceutical and utilities (water) segment and steam consumption (as well as greenhouse gas emission) for utilities (heat and thermal power) segment per revenue in RMB'000 by 2025 as compared with FY2019; and
- 5% deduction on intensity of water consumption per revenue in RMB'000 by 2025 as compared with FY2019.

The Group has appointed an external consultant to perform independent review regularly in order to ensure the adequacy and effectiveness of our 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.

Environmental, Social and Governance Report

Risk Governance

The Board is responsible for maintaining an adequate system of risk management of the Group and constantly reviewing its effectiveness while the Audit Committee assists the Board in fulfilling its supervision responsibility through annual review and evaluation. The system of risk management is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the compliance with applicable laws and regulations.

The Group has established a clear risk management framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks, including ESG and climate-related risks.

Furthermore, the Group implemented Enterprise Risk Management (ERM) framework to conduct annual review of the effectiveness and assessment of the existing risks management system to define the roles and responsibility within the Group for risk management activities and to assist the Board and the Audit Committee in overseeing these activities on an ongoing basis.

This structure ensures that compliance is woven into the fabric of the Group's operations and that leadership is directly involved in guiding the Group's adherence to legal and regulatory standards.

Materiality Assessment

The Group recognises the importance of stakeholder participation to the long-term success of our 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/stockholders, 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 one of the associated companies to participate in a materiality assessment survey during the Reporting Period.

Environmental, Social and Governance Report

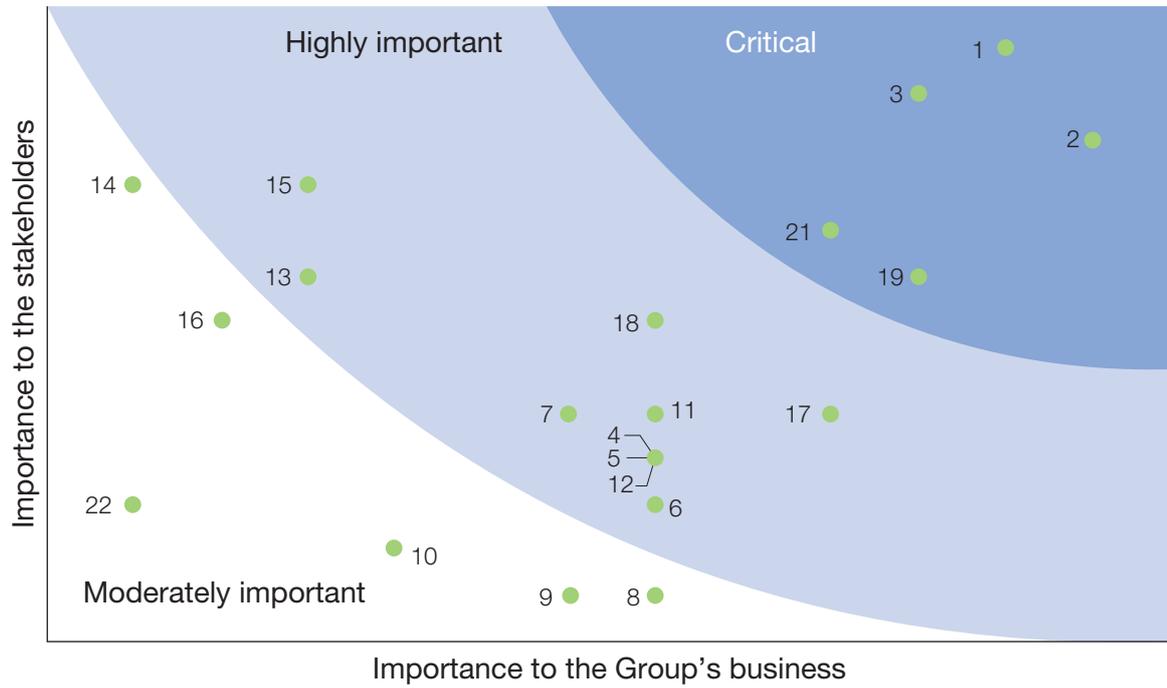
Through our established engagement channels, we have reviewed the feedback from our stakeholders, identified relevant ESG issues and mapped out the prioritisation which enabled us to better understand the expectations of all stakeholders so as to identify important ESG topics of the Group. The table 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	Level of importance
General		
General	1. Compliance with relevant laws and regulations	Critical
	2. Risk management	Critical
	3. Corporate governance	Critical
A. Environmental		
A1. Emissions	4. Air emissions and water discharge	Highly important
	5. Greenhouse gas emissions	Highly important
	6. Waste management	Highly important
A2. Use of resources	7. Energy consumption	Highly important
	8. Water usage	Moderately important
	9. Clean water source	Moderately important
	10. Packaging materials	Moderately important
A3. The environment and natural resources	11. Environmental impact management	Highly important
A4. Climate change	12. Impact of climate change	Highly important
B. Social		
B1. Employment	13. Remunerations and benefits	Highly important
	14. Equal opportunity and anti-discrimination	Moderately important
B2. Health & safety	15. Workplace health and safety	Highly important
B3. Development and training	16. Employee development and training	Moderately important
B4. Labour standards	17. Prevention of child and forced labour	Highly important
B5. Supply chain management	18. Responsible procurement	Highly important
B6. Product responsibility	19. Product and service quality	Critical
	20. Pharmaceutical product safety	Highly important
B7. Anti-corruption	21. Anti-corruption and money laundering	Critical
B8. Community investment	22. Community programmes, donation and award	Moderately important

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 Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("**Tianfa Equipment**") and Tianjin Lisheng Pharmaceutical Co., Ltd. ("**Lisheng**").

Environmental, Social and Governance Report

Materiality Matrix of Material ESG Issues



Environmental, Social and Governance Report

GENERAL

Compliance with relevant laws and regulations

Compliance with relevant laws and regulations, risk management, corporate governance, product and service quality and, anti-corruption and money laundering were identified as critical 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. The Group has zero tolerance policy towards money laundering activities. 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. 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.

The Group prioritises product and service quality by adhering to “Safety First, Customer Foremost” principles, ensuring national standards compliance, and fostering continuous improvement. Additionally, we uphold strict quality controls across our segments, following stringent regulations and standards, while emphasising transparency, customer rights, and ethical marketing practices to maintain trust and safety.

A. ENVIRONMENTAL

The Board is committed to environmental responsibility, underpinning the governance and strategic direction of the Group. We ensure diligent oversight of environmental management policies, promote continuous improvement in our environmental performance, and proactively engage in open communication to enhance awareness among all stakeholders. Through rigorous implementation, regular review of environmental objectives and transparent reporting, we strive to foster a culture of sustainability and make environmental stewardship a shared mission across the Group and the community.

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), the “Environmental Protection Tax Law of the People’s Republic of China” (中華人民共和國環境保護稅法), the “Emergency Response Law of the People’s Republic of China” (中華人民共和國突發事件應對法), 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.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and water discharge

Statistics of our material air emissions and water discharge during the Reporting Period together with the comparative figures for the corresponding year in FY2022 are summarised as follows:

Major type of emissions	FY2023 Total (Tonnes)	FY2022 Total (Tonnes)
Nitrogen Dioxide (NO ₂)	0.49	0.62
Sulphur Dioxide (SO ₂)	0.21	0.12
Wastewater	319,717.42	291,974.21

Note: The above statistics cover the air emissions and water discharge from Water Company, Tianfa Equipment and Lisheng in FY2023. Heat & Power Company did not produce material air emission and water discharge due to the nature of its business operations.

Total air emissions and water discharge	FY2023 Total (Tonnes)
Total (Tonnes)	319,718.12
Intensity (per revenue in RMB'000)	0.15

During the Reporting Period, Lisheng has utilised the ultrafiltration concentrated water from the water production station and aimed to saving up to 1,000 tonnes of water per month in order to reduce the emission of wastewater and aim to achieve our target on air emission and water discharge.

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:

- Installing enclosed shot-blasting equipment (噴丸密閉設備) and fiberglass filter cotton (玻璃纖維過濾棉) with activated carbon to filter emissions generated from our operations.
- Collecting welding fumes generated from factories by gas-collecting hood (集氣罩) to reduce the amount of dust emissions in the air.
- Installing fume purification facilities in the canteen.
- Putting water treatment facilities in place and engaging licensed contractors to collect and handle the sewage from operations.
- Adopting thickening process to reduce water composition in sewage and wastewater discharge, and improving water efficiency by reusing the effluent.
- Monitoring and adjusting the use of chemical dosage to enhance sedimentation during water purification process continuously.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and water discharge (Continued)

- Establishing COD online monitoring system to ensure that the COD level meets the regulatory standards before discharging. The system was interconnected with the government environmental monitoring platform to facilitate real-time data transmission and monitoring.
- Deploying environmentally friendly coal-fired boilers to replace the old ones for reducing the level of both air emission and industrial wastewater discharged.
- Collecting the ultrafiltration concentrated water from the water production station for cooling recirculating cooling water and water refill for water-sealing vacuum pump.
- Turning off lights when not in use.
- Setting temperature of air conditioners at no lower than 26 degrees Celsius in summertime and no higher than 26 degrees Celsius in wintertime.
- Expanding batch production on the basis of quality assurance and compliance to save energy.
- Installing purification equipment in stages.
- Strictly managing the use of vehicles and plan routes reasonably according to business needs.

With the implementation of the abovementioned measures, both absolute air emissions and water discharge and intensity have been reduced significantly as compared with that in FY2019.

Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 534,178.33 tonnes (FY2022: 552,862.75 tonnes) of the energy-related carbon dioxide equivalent (CO₂e) generated from our operations during the Reporting Period. 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	FY 2023 (in tonnes)	Intensity (per revenue in RMB'000)
Direct emission (Scope 1)	5,025.13	0.0019
Indirect emission (Scope 2)	529,153.20	0.1983

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 of China and “The UK Government Conversion Factors for greenhouse gas reporting” published by the Department for Environment, Food & Rural Affairs of the United Kingdom. Heat & Power Company did not contribute to any direct emission (scope 1) due to the business operation nature.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

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. The total amount of non-hazardous waste produced by the above-mentioned segments was 802.87 tonnes (FY2022: 1,356.69 tonnes) during the Reporting Period. The overall decrease was due to the fact that there were no major construction projects planned in FY2023, which significantly decreased the construction waste.

Non-hazardous waste in FY2023	Consumption (in tonnes)	Intensity (per revenue in RMB'000)
Total (in tonnes)	802.87	0.00062

Note: The above statistics only cover the non-hazardous waste produced by Tianfa Equipment and Lisheng as Water Company and Heat & Power Company did not produce material non-hazardous waste in the production process.

The utilities, electrical and mechanical and pharmaceutical segments had generated hazardous waste during their operations, which included used oil, scrap mica, oily waste, organic waste, toxic waste carbon and scraped drugs. During the Reporting Period, the total amount of hazardous waste produced by the above-mentioned segments was 353.46 tonnes (FY2022: 361.08 tonnes).

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.

Total hazardous waste	FY2023 Total (Tonnes)
Total (Tonnes)	353.46
Intensity (per revenue in RMB'000)	0.00023

Note: The above statistics only cover the hazardous waste produced by Water Company, Tianfa Equipment and Lisheng as Heat & Power Company did not produce material hazardous waste in the production process.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste management (Continued)

In order to achieve our target on reducing the amount of waste generated, 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. During the Reporting Period, the hazardous waste production intensity has increased as compared to that in FY2019 due to the disposal of oily waste of Tianfa Equipment and the increase in overall production at Lisheng.

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 FY2022 are shown as below:

Type	Consumption		Intensity (per revenue in RMB'000)	
	FY2023	FY2022	FY2023	FY2022
Petrol (Tonnes)	47.41	48.46	0.000029	0.000029
Diesel (Tonnes)	3.07	3.62	0.000012	0.000014
Natural gas (m ³)	2,356,538.00	2,187,756.00	1.50	1.32
Electricity (kWh)	44,881,232.65	40,989,911.00	16.82	13.88
Heat (GJ)	4,569.23	5,711.54	0.017	0.022
Steam (Tonnes)	3,612,576.01	3,917,901.58	1.60	1.60

Note: The above statistics cover the major types of energy consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng in FY 2023.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

We are committed to achieving our target to reduce the indirect energy used and we have assigned relevant personnel to conduct energy inspections by doing regular analysis of energy consumption in a timely manner in order to strengthen the management of energy use and inspect whether there is abuse of energy. As the number of Lisheng's production days increased and the revenue of Tianfa Equipment decreased, of which, revenue will be recognised over the construction period based on the progress of work, electricity consumption and intensity slightly increase during the Reporting Period.

During the Reporting Period, Lisheng implemented the distributed photovoltaic power generation project with construction scale of 5MW. The project was put into use starting from January 2023. It is anticipated that the implementation of the project can reduce the use of traditional energy sources.

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.
- 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.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

- Installing automatic heating stations to self-regulate the secondary supply temperature (二次側供溫) based on the outdoor temperature.
- Setting limit for the use energy e.g., steam.
- Optimising air conditioning system according to the workshop environment by adjusting the fan speed to reduce power consumption.
- Installing energy-efficient equipment in stages.
- Strengthening energy inspections, regularly analysing energy consumption, and finding and solving problems in a timely manner.
- Strengthening the management of energy use, checking whether there is any abuse of energy use points, promptly stopping and holding relevant personnel accountable.
- Strengthening energy technology transformation and improving both the quantity and quality of energy-saving projects.
- Installing frequency conversion device to some power equipment of heat exchange station, including refilling pump and circulating pump.

The intensity of electricity consumption has risen in comparison to FY2019. We will keep exploring various strategies and initiatives in order to achieve our target.

Water usage

During the Reporting Period, the aggregate amount of water consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng was 1,376,161 tonnes, with an intensity of 0.52 tonnes per revenue (RMB'000) (FY2022 Consumption: 1,162,237 tonnes; FY2022 Intensity: 0.39 tonnes per revenue (RMB'000)). The increase in water consumption is due to the leakage of water pipes at Tianfa Equipment in FY2023.

We have implemented water saving measures. These 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.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Water usage (Continued)

- Replacing wet cooling tower from open circuit to closed to reduce usage of water during circulation.
- Replacing old pipe network with leakage.
- Recovering and utilising steam condensate.
- Installing water cycle equipment in stages.
- Strengthening energy inspections, regularly analysing energy consumption, and finding and solving problems in a timely manner.
- Strengthening the management of energy use, checking whether there is any abuse of energy use points, promptly stopping and holding relevant personnel accountable.
- Strengthening energy technology transformation and improving both the quantity and quality of energy-saving projects.

The implementation of a wastewater reuse project has significantly improved our resource efficiency. By treating and reusing wastewater in accordance with standards to replace tap water for toilet flushing, we have achieved an annual savings of approximately 7,000 tonnes of tap water.

With the implementation of the above measures, water consumption intensity has been significantly reduced as compared to FY2019.

To further conserve water, Water Company has concentrated efforts on collecting wastewater from the purification machines in the formulation workshop. This waste is strategically managed through liquid level and timing controls, repurposing existing discarded pipelines to transfer the wastewater to the cooling tower's water pool for use in the recycling water system. Additionally, the water ring vacuum pumps from two workshops have been switched to utilise the cooling water supply.

Upon completion of this project, it will be possible to switch water sources to the water tower during the production phase in the formulation workshop, thus supplying water through the use of treated waste, achieving significant water conservation. The production phase can now save no less than 45 tonnes of tap water daily. With the water station operating normally for 229 days a year, this equates to a savings of at least 10,305 tonnes of tap.

Packaging materials

Lisheng 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 type of 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 by Lisheng was 2,490.28 tonnes (FY2022: 2,301.32 tonnes) which have been increased compared to FY2022. This rise is attributable to the higher production output of Lisheng in FY2023.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

A3 The Environment and Natural Resources

Environmental impact management

The Group is devoted to minimising 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 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.
- Monitoring and adjusting energy consumption indicators regularly to improve the utilisation ratio of energy.

A4 Climate Change

The Group has integrated climate change considerations into our annual enterprise risk management process to assess significant climate-related risks that could affect our operations. Our management teams closely monitor climate risks and opportunities, executing measures such as flexible working arrangements to mitigate crises caused by severe weather and to safeguard our production and workforce.

During the reporting period, the Group identified the following climate-related risks:

Type of risks	Description	Potential impacts
Physical risk	<ul style="list-style-type: none">• Occurrence of extreme weather events, such as high temperature, heavy rain, thunderstorm, extreme wind etc.	<ul style="list-style-type: none">• Damage to assets and properties, injuries and deaths, disruption on transportation and supply chain
Transition risk – policy and legal risks	<ul style="list-style-type: none">• Government tightened environmental guidelines and reporting requirements for high polluted industries	<ul style="list-style-type: none">• Increasing operating costs and higher risks for non-compliance with new requirements
Technology opportunities	<ul style="list-style-type: none">• Use of more renewable energy and environmentally friendly materials	<ul style="list-style-type: none">• Risking revenue and market shares from growing demand in green consumption

Environmental, Social and Governance Report

B. SOCIAL

B1 Employment

Remuneration and benefits

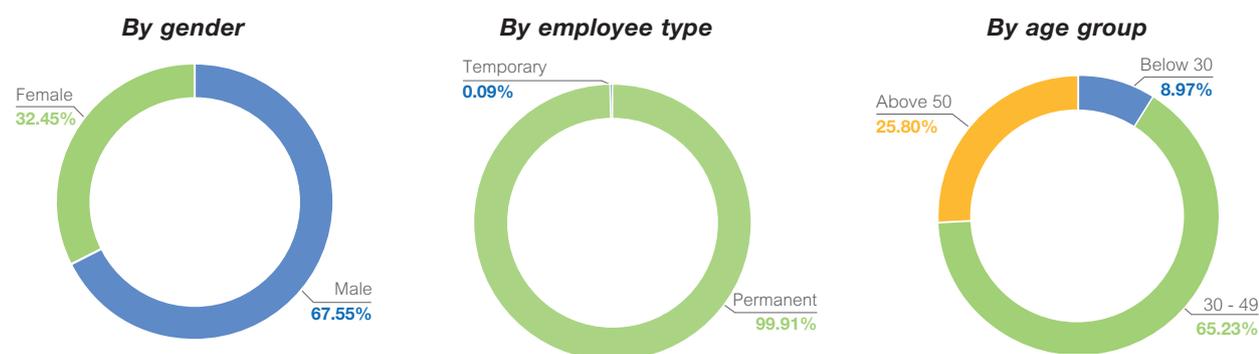
The Group promotes ethical and fair labour policies in the interest of our people. We value and respect the rights of our employees. To uphold the labour standards and fulfil our obligation as well as responsibilities as employer, our operating segments have established comprehensive guidelines with reference to the relevant labour laws and regulations to govern the employee compensation and dismissal, recruitment and promotion, working hours and leaves policy, which have been clearly communicated to relevant employees and are regularly reviewed where necessary to ensure proper execution.

Equal opportunity and anti-discrimination

The Group also promotes equal opportunity and other welfares, and we 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), Law of the People’s Republic of China on the Protection of Rights and Interests of Women (中華人民共和國婦女權益保障法) 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 FY2023, the Group’s principal operating segments have a total workforce of 2,163 employees (FY2022: 2,262 employees) based in Northern China region with a turnover rate of around 2.17% (FY2022: 4.80%).

Employee Profile



Employee Profile	FY2023	FY2022
By gender		
Male	1,461	1,544
Female	702	718
By employee type		
Permanent	2,161	2,250
Temporary	2	12
By age group		
Below 30	194	239
30-49	1,411	1,393
Above 50	558	630

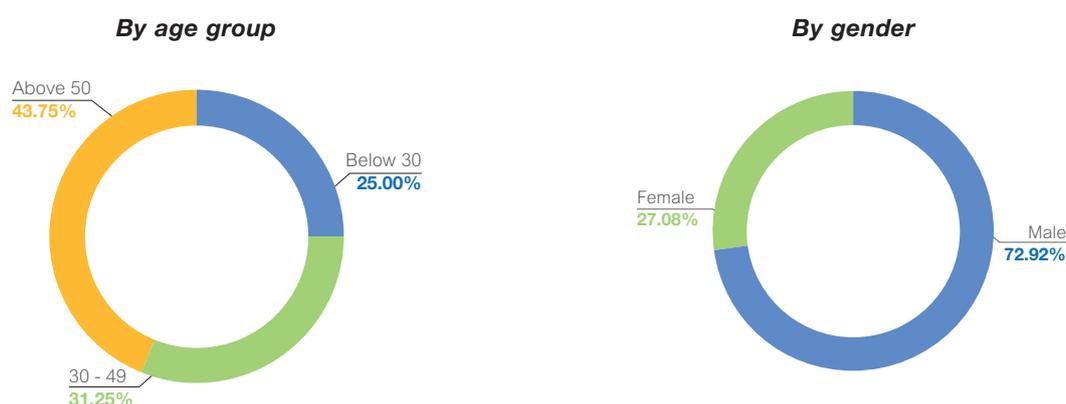
Environmental, Social and Governance Report

B. SOCIAL (Continued)

B1 Employment (Continued)

Equal opportunity and anti-discrimination (Continued)

Composition of turnover



Turnover Rate

Year	By gender		By age group		
	Male	Female	Below 30	30-49	Above 50
FY2023	2.40%	1.85%	6.19%	1.06%	3.76%
FY2022	2.85%	9.75%	17.57%	3.88%	2.86%

Talent management

The Group adheres to a standardised recruitment process, selecting candidates based solely on merit and business needs, ensuring a discrimination-free environment regardless of gender, religion, age, ethnicity, or disability. This commitment to equal opportunity also applies to promotions, transfers, compensation, and training, including the termination of employment contracts.

We value our employees' contributions and prioritise their well-being, implementing human resource measures to clarify roles, recruitment, dismissal, and compensation processes, thus securing fair labor rights and relationships. Our employment strategy includes statutory and welfare holidays, various types of leave, and discourages overtime, offering compensation for any exceptions.

To optimise employee remuneration and retain top talent, we have established a "Remuneration Management System" (薪酬管理制度) in line with state-owned enterprise regulations, ensuring clarity, motivation, and regulatory compliance within our salary framework to support the Group's operations and growth.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

B2 Health and Safety

Workplace health and safety

In FY2023, the Group deepened the reform, transformation and development of state-owned enterprises, and embarked on a new journey of building a health career. The Group adheres to the concept of “people first, life first” and firmly establishes the awareness that “the safety of people’s lives is always the first priority”. We prioritised building a robust health enterprise while deepening state-owned enterprise reforms. Adhering to a “people first, life paramount” spirits, we maintained a stable safety production, reflecting a commitment to safety and duty.

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), the “Fire Control Law of the People’s Republic of China” (中華人民共和國消防法), the “Provisions on the Administration of Occupational Health at Workplaces” (工作場所職業衛生監督管理規定), 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), the “Regulations on Safety Supervision over Special Equipment” (特種設備安全監察條例), the “Regulations on the Safety Administration of Dangerous Chemicals” (危險化學品安全管理條例), the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance” (職業健康監護管理辦法), the “Regulation on Work-Related Injury Insurances” (工傷保險條例), and have obtained the “The National Standard of Occupational Health and Safety Management Systems” (職業健康安全管理体系認證) 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.

There were 728 and 337 lost days due to work injury during the Reporting Period and FY2022 respectively. An incident working group will be immediately established to conduct a thorough review into the incident and formal report will be made to inform the relevant authorities once the accident happened. The working group also brought forward some recommendations to prevent similar incidents from happening in the future.

If any incident occurred, the company immediately set up a working group to handle compensation issues and implement the following measure:

- Setting up a rescue team, carrying out rescue skills training and organising emergency drill to improve emergency rescue level of all employees.
- Strengthening health publicity and education, encouraging employees to have regular physical examinations, and establishing employee health records.
- Setting conditions for participating in activities and preparing necessary first aid items on site.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

B2 Health and Safety (Continued)

Workplace health and safety (Continued)

Reporting Year	Work-related fatalities
FY2023	0
FY2022	1
FY2021	0

Besides, the principal subsidiaries of the Group have implemented various measures focus to health and safety.

The Group has instituted comprehensive safety and health management systems across its subsidiaries. It standardizes emergency responses and prioritizes asset and employee safety through its emergency management system, with regular training and crisis management protocols. Occupational health is reinforced with strict adherence to laws, responsibilities clarity, and a dedicated health committee. The Group also monitors employee health rigorously to prevent occupational diseases, using standards that cover the entire employment duration and focus on risk identification and intervention. Company-wide safety training reinforces a culture of hazard prevention and ensures the Group's commitment to a secure working environment and service excellence.

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. In addition, Water Company has conducted thematic work trainings including but not limited to production safety, environment protection, and qualification to improve employees' professionalism at work. 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.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

B3 Development and Training (Continued)

Employee development and training (Continued)

During the Reporting Period, the Group has provided 83,225 hours (FY2022: 37,035 hours) of training to 1,926 employees (FY2022: 2,262 employees). In FY2023, the Group has offered more diverse and specialised training to all employees, resulting in a significant increase in training statistics. Statistics in relation to development and training in FY2023 are as shown below:

	Percentage of employees trained		Average training hours completed per employee	
	FY2023	FY2022	FY2023	FY2022
Overall training proportion				
Per total employee number	89.04%	100%	38.48	16.37
By Gender				
Male	66.87%	67.72%	34.75	12.82
Female	33.13%	32.28%	46.24	24.02
By Employee Category				
General staff	90.65%	92.06%	38.23	14.93
Middle management	8.00%	6.46%	38.82	33.00
Senior management	1.35%	1.48%	50.38	24.81

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), “Prohibition of Child Labour Provisions” (禁止使用童工規定), the “Law on the Protection of Women’s Rights and Interests” (中華人民共和國婦女權益保障法), and the “Special Rules on the Labour Protection of Female Employees” (女職工勞動保護特別規定) by adopting a comprehensive screening and recruitment process, setting up whistleblowing hotlines, as well as by conducting regular reviews and inspections to detect the employment of any child or forced labour situation in our operations.

The Group established “Child Labour Remediation Program” (童工拯救計劃) to identify and resolve child labour issues, prioritising the well-being of minors by ensuring their safety and access to education. The Human Resources Department is tasked with conducting investigations and ensuring care, while the program also enforces educational policy compliance. It outlines steps for managing child labour cases, including health assessments and legal steps to facilitate compulsory education and prevent recurrence. Recruitment processes include strict age verification to preclude child labour.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations nor the cases of child labour or forced labour in the Group during the Reporting Period.

Environmental, Social and Governance Report

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. The Company has established a supplier selection procedure to standardise the process of supplier selection to ensure that only qualified suppliers without conflict of interest are engaged. Apart from collection the qualification certificates from new suppliers, we also perform on-site assessments at selected suppliers to assess their working environment and the safety of materials used.

Number of suppliers by region	FY2023	FY2022
Northern China	351	356
Northeast China	35	35
Eastern China	91	103
Southern China	30	27
Southwest China	9	8
Northwest China	11	12
Others	17	19

The Group is committed to high standards in supply chain management, implementing systems to ensure quality materials and ethical procurement across its divisions. It emphasizes compliance with health and legal standards in pharmaceuticals and integrity in water supply dealings. The Group's integration of ESG principles into these practices aims to promote sustainable and responsible sourcing, aligning with global environmental and social initiatives, enhancing risk management, and creating value for stakeholders. This approach reflects a broader commitment to upholding ethical and quality standards while fostering a positive impact on the environment and society.

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.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Product and service quality (Continued)

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).

The Group emphasises great importance of marketing ethics, and forbid employees from engaging in any form of unfair business practices. We, in our best endeavours, will ensure the transparency and safety of our products and services and have developed a holistic customer rights policy to protect the rights, health and safety of our customers. The Group strictly abides by relevant regulations and standards. We will scrutinise and penalise any behaviours that may be deemed as deception and misleading to customers.

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.

Pharmaceutical product safety

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” (藥品說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), the “Product Quality Law of the People’s Republic of China” (中華人民共和國產品質量法), the “Tort Law of the People’s Republic of China” (中華人民共和國侵權責任法), and other relevant laws and regulations. Along with the compliances, the Group has formulated relevant procedures for product return and pharmaceutical recall, which aim to ensure product quality and marketing ethics to our customers. Throughout our procurement and service processes, we assure the quality and transparency of products with our “Policy & Procedure of Customer rights” (客戶權益政策) to prevent any potential infringement and harm to our customers’ rights, health and safety. Lisheng seeks to safeguard the rights of the customers and does not tolerate any potential mislead, cheat or behaviours that could damage the trust of our customers. 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 the production as well as sales and marketing functions. Understanding the importance of intellectual property rights, we strictly follow the labelling requirements of our partners and ensure the accuracy and authenticity of the information published in relevant marketing activities. All internal documents relating to patents and intellectual property are encrypted and kept securely.

During the Reporting Period, no written complaints were received by Lisheng in relation to the product packaging and quality. There were no material non-compliance issues noted and product recalled regarding product responsibilities.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Data privacy

The Group attaches great importance to protecting the data privacy of customers and partners, and strictly abides by the “Contract Law of the People’s Republic of China” (中華人民共和國合同法) and other relevant laws and regulations of China.

The Group maintains stringent information governance and network security across its operations. The disclosure management system ensures that all disclosures are accurate, lawful, and transparent, effectively preventing insider trading and safeguarding stakeholder trust. This system is complemented by a robust information security management system that secures digital data, emphasizing confidentiality, integrity, and authenticity, with policies and practices closely monitored by the General Manager’s Office. Additionally, the Group’s security regulations, enforce strict password protocols and regular data backups, adhering to legal standards and national guidelines to ensure network stability and preempt potential disruptions.

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), the “Anti-Unfair Competition Law of the People’s Republic of China” (中華人民共和國反不正當競爭法), the “Interim Provisions on Banning Commercial Bribery” (關於禁止商業賄賂行為的暫行規定), 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.

Environmental, Social and Governance Report

B. SOCIAL (Continued)

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.

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. We have also made donations to the underprivileged and have provided sponsorships to promote health and higher living standards.

During the Reporting Period, the Water Company organised a series of social activities, including volunteering to assist in quarantine measures imposed during the Coronavirus to promote an inclusive city during adversity. Aspiring to provide a convenient source of safe water supply to the elderly with disabilities, the Water Company has been providing door-to-door water sales service to those in need.

In addition, Lisheng together with other charity institutions distributed brochures and daily necessities to the local residents in Xiqing District to promote health awareness to the public.

CORPORATE CULTURE

The Company takes “Integrity, Professionalism, Realism, People-focused, and Innovation” as the core enterprise spirit, adheres to the business philosophy of “Stable and pragmatic, Continuous improvement, and People-focused”, and strives to develop into a large-scale, multi-strategic and high-quality enterprise group. To realise the “going-out” strategy of Tianjin’s state-owned high-quality assets by making good use of the advantages of Hong Kong being an international financial center and a technology and innovation center, in order to promote the sustainable development of Tianjin-Hong Kong economic and trade, to maximise shareholders’ investment value, and to allow employees to share the achievements of the corporate development, so as to achieve common development, co-creation of value and to integrate into the country’s overall development together.

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 corporate governance 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 Part 2 of Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Throughout the year, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision F.2.2.

The code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. Due to other business engagements, Mr. Wang Gang, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 21 June 2023. Mr. Teng Fei, executive director of the Company, took the chair of the annual general meeting pursuant to the articles of association of the Company (the “**Articles of Association**”).

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 conducting 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 made by the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the Board.

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

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

Corporate Governance Report

Board Composition

As at 31 December 2023, the Board consists of eight members, comprising three executive directors, being Mr. Wang Gang (*Chairman*), Dr. Zhai Xinxiang (*General Manager*), Mr. Teng Fei, one non-executive director, being Mr. Sun Lijun and four independent non-executive directors, being Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick.

On 30 March 2023, Mr. Zhuang Qifei and Mr. Cui Xiaofei resigned respectively as executive director and deputy general manager and non-executive director of the Company due to other work engagements. Mr. Teng Fei has been appointed as executive director and deputy general manager of the Company, Mr. Sun Lijun has been appointed as non-executive director of the Company, Mr. Lau Ka Keung and Mr. Sin Hendrick have been appointed as independent non-executive directors of the Company.

Mr. Cheung Wing Yui, Edward, non-executive director, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Dr. Loke Yu, independent non-executive directors, who have served the Board for over ten years, retired by rotation at the conclusion of the annual general meeting held on 21 June 2023 and did not offer themselves for re-election.

On 29 September 2023, Dr. Li Xiaoguang resigned as executive director and general manager of the Company due to his other business engagements and Dr. Zhai Xinxiang was appointed in place of Dr. Li Xiaoguang.

On 27 March 2024, Mr. Wang Gang resigned as chairman and executive director, chairman of the nomination committee, member of each of the remuneration committee and the investment committee of the Company due to personal reasons including health condition and approaching retirement and Mr. Teng Fei was appointed in place of Mr. Wang Gang.

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 16 to 18 of this Annual Report.

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. The Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Each of the directors entered into a letter of appointment with the Company, appointment of executive directors may be terminated by three months' notice in writing served by either party while appointment of non-executive directors and independent non-executive directors may be terminated by one months' notice in writing served by either party. According to the Articles of Association, all directors are subject to retirement by rotation and re-election at the annual general meeting at least once every three years.

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 C.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. Teng Fei, 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.

Dr. Zhai Xinxiang, 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 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.

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.

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. The major work performed by the Board during the year ended 31 December 2023 included reviewing and, where applicable, approving/adopting the following matters:

- the Company's policies and practices on corporate governance;
- training and continuous professional development of directors and senior management;
- the Company's policies and practices on compliance with legal and regulatory requirements; and
- Compliance with the CG Code and the Corporate Governance Report disclosure.

Corporate Governance Report

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 procedures 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.

During the year, the Company held seven Board meetings and also dealt with matters by way of written resolutions. The attendance records of each member of the Board are set out below:

Name of Director	Attended/Eligible to Attend
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Executive Directors

Mr. Teng Fei (<i>Chairman</i>)	(appointed on 30 March 2023 as deputy general manager and further appointed as Chairman on 27 March 2024)	6/6
Dr. Zhai Xinxiang (<i>General Manager</i>)	(appointed on 29 September 2023)	3/3
Mr. Wang Gang	(resigned on 27 March 2024)	6/7
Dr. Li Xiaoguang	(resigned on 29 September 2023)	1/4
Mr. Zhuang Qifei	(resigned on 30 March 2023)	0/1

Non-Executive Directors

Mr. Sun Lijun	(appointed on 30 March 2023)	4/6
Mr. Cheung Wing Yui, Edward	(retired on 21 June 2023)	1/1
Mr. Cui Xiaofei	(resigned on 30 March 2023)	0/1

Independent Non-Executive Directors

Ms. Ng Yi Kum, Estella		7/7
Mr. Wong Shiu Hoi, Peter		7/7
Mr. Lau Ka Keung	(appointed on 30 March 2023)	6/6
Mr. Sin Hendrick	(appointed on 30 March 2023)	6/6
Dr. Cheng Hon Kwan	(retired on 21 June 2023)	1/1
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023)	1/1
Dr. Loke Yu	(retired on 21 June 2023)	1/1

In addition to Board meetings, a meeting of the Chairman and the independent non-executive directors without the presence of other directors and the management was held in 2023.

Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. The Company arranges continuous professional development training to directors such as internally facilitated briefings and provision of reading material on relevant topics to ensure directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Further, monthly updates on the Company's performance, position and prospects are also provided to the directors. The participation of each of the directors in continuous professional development during the year are summarised as below:

Name of Director	Participation in Continuous Professional Development	
Executive Directors		
Mr. Teng Fei (<i>Chairman</i>)	(appointed on 30 March 2023 as deputy general manager and further appointed as Chairman on 27 March 2024)	✓
Dr. Zhai Xinxiang (<i>General Manager</i>)	(appointed on 29 September 2023)	✓
Mr. Wang Gang	(resigned on 27 March 2024)	✓
Dr. Li Xiaoguang	(resigned on 29 September 2023)	N/A
Mr. Zhuang Qifei	(resigned on 30 March 2023)	N/A
Non-Executive Directors		
Mr. Sun Lijun	(appointed on 30 March 2023)	✓
Mr. Cheung Wing Yui, Edward	(retired on 21 June 2023)	N/A
Mr. Cui Xiaofei	(resigned on 30 March 2023)	N/A
Independent Non-Executive Directors		
Ms. Ng Yi Kum, Estella		✓
Mr. Wong Shiu Hoi, Peter		✓
Mr. Lau Ka Keung	(appointed on 30 March 2023)	✓
Mr. Sin Hendrick	(appointed on 30 March 2023)	✓
Dr. Cheng Hon Kwan	(retired on 21 June 2023)	N/A
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023)	N/A
Dr. Loke Yu	(retired on 21 June 2023)	N/A

note:

- ✓ Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

BOARD COMMITTEES

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.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established in 2005 and comprises of two independent non-executive directors, Mr. Lau Ka Keung and Ms. Ng Yi Kum, Estella and one executive director, Mr. Teng Fei. It is chaired by Mr. Lau Ka Keung. 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. No director is involving in determining his/her own remuneration.

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

Name of Director		Attended/Eligible to Attend
Mr. Lau Ka Keung (<i>Chairman</i>)	(appointed as member on 30 March 2023 and further appointed as chairman on 21 June 2023)	0/0
Ms. Ng Yi Kum, Estella	(appointed on 30 March 2023)	0/0
Mr. Teng Fei	(appointed on 27 March 2024)	0/0
Mr. Wang Gang	(resigned on 27 March 2024)	1/1
Dr. Cheng Hon Kwan	(retired on 21 June 2023)	1/1
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023)	1/1

The major work performed by the Remuneration Committee during the year ended 31 December 2023 included reviewing and where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- remuneration packages for the appointment of directors;
- terms of directors' letters of appointment; and
- discretionary bonus for the year 2022 of the Company's directors and senior management.

The remuneration policy of the Company aims to provide a fair market remuneration to attract and retain experienced and high quality talents to manage the business and development of the Group. The remuneration package of executive director and senior management comprises basic salary, discretionary bonus, benefits in kind, share options or other incentive schemes (if any) and is determined based on their individual performance, the Group's performance and current market conditions. No equity-based remuneration with performance-based elements (such as share options or grants of shares) should be awarded to independent non-executive directors, to avoid any biased decision-making and affecting their objectivity and independence.

Details of the emoluments of the directors for the year ended 31 December 2023 are set out in Note 10 to the consolidated financial statements.

Audit Committee

The Audit Committee comprises of five independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick. 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 (including ESG risks) 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.

During the year, the Audit Committee held two meetings. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Ms. Ng Yi Kum, Estella (<i>Chairman</i>)	2/2
Mr. Wong Shiu Hoi, Peter	2/2
Mr. Lau Ka Keung (appointed on 30 March 2023)	1/1
Mr. Sin Hendrick (appointed on 30 March 2023)	1/1
Dr. Cheng Hon Kwan (retired on 21 June 2023)	1/1
Mr. Mak Kwai Wing, Alexander (retired on 21 June 2023)	1/1
Dr. Loke Yu (retired on 21 June 2023)	1/1

The major work performed by the Audit Committee during the year ended 31 December 2023 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- financial statements and continuing connected transactions included in the annual report;
- interim financial statements included in the interim report;
- effectiveness of the risk management (including ESG risks) and internal control matters;
- external auditor's statutory audit plan, letters to the management and 2023 audit fees;
- non-audit services provided by the external auditor; and
- adequacy of resources, staff qualifications and experiences, training programmes and budget of the accounting, internal audit and financial reporting functions of the Company.

Investment Committee

The Investment Committee was established in April 2010 and comprises of two independent non-executive directors, Mr. Sin Hendrick and Mr. Wong Shiu Hoi, Peter and one executive director, Mr. Teng Fei. It is chaired by Mr. Sin Hendrick.

The Investment Committee reports directly to the Board and reviews matters in relation to evaluation of business plans, formulation of proper procedures for investment projects as well as the adequacy of controls and monitoring ongoing risk factors. A written terms of reference, which describes the authority and duties of the Investment Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

Corporate Governance Report

Investment Committee (Continued)

During the year, the Investment Committee held two meetings. At the meetings, members of the Investment Committee reviewed and considered a wealth management plan proposed by the management, the formation of limited partnership fund and the acquisition of 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. Details of the transactions were disclosed in the Company's announcements dated 11 December 2023, 14 December 2023, 29 December 2023, 3 January 2024 and 14 March 2024. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Mr. Sin Hendrick (<i>Chairman</i>)	(appointed as member on 30 March 2023 and further appointed as chairman on 21 June 2023) 2/2
Mr. Wong Shiu Hoi, Peter	2/2
Mr. Teng Fei	(appointed on 27 March 2024) 0/0
Mr. Wang Gang	(resigned on 24 March 2024) 2/2
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023) 0/0

Nomination Committee

The Nomination Committee was established in December 2011 and comprises of three independent non-executive directors, Ms. Ng Yi Kum, Estella, Mr. Lau Ka Keung and Mr. Sin Hendrick and one executive director, Mr. Teng Fei. It is chaired by Mr. Teng Fei.

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.

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

Name of Director	Attended/Eligible to Attend
Mr. Teng Fei (<i>Chairman</i>)	(appointed on 27 March 2024) 0/0
Ms. Ng Yi Kum, Estella	1/1
Mr. Lau Ka Keung	(appointed on 30 March 2023) 0/0
Mr. Sin Hendrick	(appointed on 30 March 2023) 0/0
Mr. Wang Gang	(resigned on 27 March 2024) 1/1
Dr. Cheng Hon Kwan	(retired on 21 June 2023) 1/1
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023) 1/1

Nomination Committee (Continued)

The major work performed by the Nomination Committee during the year ended 31 December 2023 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- change of directors, including succession planning for the general manager of the Company;
- eligibility of the directors seeking for re-election at the annual general meeting;
- independence of the independent non-executive directors;
- structure, size and composition of the Board; and
- implementation and effectiveness of the board diversity policy.

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 to the Board. The ultimate decision will be based on merits and contribution the selected candidates will bring to the Board. The board diversity policy is available on the Company's website.

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 to 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.

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.

Corporate Governance Report

Nomination Committee (Continued)

As at 31 December 2023, the Board's composition under diversified perspectives is summarised as follows:

Capacity		Gender	
Executive director	3	Male	7
Non-executive director	1	Female	1
Independent non-executive director	4		

Length of service		Age group	
5 years or below	6	Below 50	4
6 to 9 years	0	50 to 59	2
over 9 years	2	60 or above	2

The Company is committed to increasing the female representation on the Board gradually over time. When considering new members for the Board, appointments will be made by considerations of objective criteria and due regard will be made to achieving and maintaining an appropriate balance in diversity on the Board, including in terms of gender.

As at 31 December 2023, the Group had a total of approximately 2,376 employees (including senior management) and the ratio of male to female employees was around 2:1. The Group consistently implements the management ideology of a "fairness and impartially, suitability for the job" during its recruitment process, and promotes "recommending talents and avoiding relations" as a principle for recruitment, so as to ensure that every applicant has an equal opportunity, and that talents are competing in a fair environment.

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 C3 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.

The Company has also established written guidelines regarding securities transactions on no less exacting terms than 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 2023. 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 2023 and also reviewed the 2023 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\$5,150,000 and non-audit services in relation to consultancy and review services amounted to approximately HK\$2,693,000.

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 assists 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 such risks. 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.

Furthermore, the Group implemented Enterprise Risk Management (ERM) framework to conduct annual review of the effectiveness and assessment of the existing risks management and internal control systems with reference to the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), to define the roles and responsibility within the Group for risk management activities and to assist the Board and the Audit Committee in overseeing these activities on an ongoing basis.

The Company appoints external consultants to perform internal audit function. External consultants conduct independent review twice a year on the adequacy and effectiveness of the Group's risk management and internal control systems and submit risk management and internal audit reports 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 inside information.

During the year, the Board has engaged Acclime Consulting (Hong Kong) Limited ("**Acclime Consulting**") to perform internal audit reviews to assess the effectiveness of the Group's internal control system. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

The Group has also engaged an external professional advisor (“**External Advisor**”) to assist the management to conduct risk assessment twice a year. The Group’s enterprise risk assessment methodology comprises of four core stages, namely risk identification, risk assessment, risk response, and risk monitoring:

- Risk Identification: Our External Advisor assisted our management to identify risks that are relevant to the Group, including risks relating to strategy and corporate governance, operational risks, financial risks, legal and compliance risks, as well as ESG and climate-related risks. All of the identified risks are consolidated into a risk inventory.
- Risk Assessment: All of the risks are evaluated by our management based on our predefined risk assessment criteria associated with two risk dimensions: (i) impact to the Group; and (ii) the Group’s vulnerability to each of the risk.
- Risk Response: Risk owners are assigned to each of the risk which are responsible for formulating the risk mitigation plans.
- Risk Monitoring: Risk owners are responsible for monitoring the implantation and effectiveness of the risks mitigation plans.

The risk management report prepared by the External Advisor and the internal audit reports prepared by Acclime Consulting in accordance with the risk-based internal audit plan for the year 2023 have been reviewed and discussed at the Audit Committee meetings held on 22 August 2023 and 21 March 2024, respectively. The Board together with the senior management have respectively on 30 August 2023 and 27 March 2024, reviewed, considered and discussed all the findings in relation to the risk management and internal control systems and recommendations thereto, and have concluded that the overall risk management and internal control systems of the Group have been 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 Company has established a shareholders' communication policy which aims to provide shareholders with equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and engage actively with the Company. The Company uses a range of communication tools to ensure that shareholders and stakeholders are well informed of its business development. These include general meetings, annual reports, various notices, announcements and circulars. Shareholders and stakeholders may also make enquiries to the Company in writing 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. An annual general meeting and an extraordinary general meeting of the Company were held on 21 June 2023 and 5 December 2023 respectively, and detailed procedures for conducting a poll have been explained by the chairman during the meetings. The attendance of each Board member is recorded below:

Name of Director	Attendance of		
	Annual General Meeting	Extraordinary General Meeting	
Executive Directors			
Mr. Teng Fei (<i>Chairman</i>)	(appointed as deputy general manager on 30 March 2023 and further appointed as Chairman on 27 March 2024)	1/1	1/1
Dr. Zhai Xinxiang (<i>General Manager</i>)	(appointed on 29 September 2023)	0/0	1/1
Mr. Wang Gang	(resigned on 27 March 2024)	0/1	1/1
Dr. Li Xiaoguang	(resigned on 29 September 2023)	1/1	0/0
Mr. Zhuang Qifei	(resigned on 30 March 2023)	0/0	0/0
Non-Executive Directors			
Mr. Sun Lijun	(appointed on 30 March 2023)	1/1	1/1
Mr. Cheung Wing Yui, Edward	(retired on 21 June 2023)	1/1	0/0
Mr. Cui Xiaofei	(resigned on 30 March 2023)	0/0	0/0
Independent Non-Executive Directors			
Ms. Ng Yi Kum, Estella		1/1	1/1
Mr. Wong Shiu Hoi, Peter		1/1	1/1
Mr. Lau Ka Keung	(appointed on 30 March 2023)	1/1	1/1
Mr. Sin Hendrick	(appointed on 30 March 2023)	0/1	1/1
Dr. Cheng Hon Kwan	(retired on 21 June 2023)	1/1	0/0
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023)	0/1	0/0
Dr. Loke Yu	(retired on 21 June 2023)	1/1	0/0

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Continued)

Having considered the implementation and effectiveness of multiple channels of communication and engagement in place, the Board is satisfied that the shareholders' communication policy has been properly implemented during the year and is effective.

Procedures for Convening 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 on 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 69 to 73 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 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 46 and 47 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 2023 are set out in the consolidated statement of profit or loss on page 74.

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 HK3.45 cents per share (2022: HK3.45 cents per share) was paid on 30 October 2023. The Board recommends the payment of a final dividend of HK8.80 cents per share (2022: HK5.50 cents per share). Details are set out in Note 11 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 considers appropriate.

The Board will continually review the dividend policy and reserves the right to update, amend and/or modify the dividend policy at any time in its sole and absolute discretion, 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 172.

Report of the Directors

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 Notes 31 and 52 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 13 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 30 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Group were subsisting as at 31 December 2023 and the Group did not enter into any equity-linked agreements during the year.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2023 are set out in Note 33 to the consolidated financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (i) On 5 December 2022, the Company entered into a facility letter (the “**2022 Facility Letter**”) with a bank as lender (the “**Bank**”) in respect of a term loan facility of HK\$300 million for a period of 12 months commencing from the date of first drawdown.

According to the 2022 Facility Letter, the Company undertakes that throughout the term of the facility, the Company shall procure that the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People’s Government (“**Tianjin SASAC**”) maintain shareholding ownership directly or indirectly in the Company of more than 50%, or the Company shall be under the direct or indirect management control of Tsinlien Group Company Limited (津聯集團有限公司) (“**Tsinlien**”).

If violation of the relevant undertakings under the 2022 Facility Letter occurs, the Bank may, by notice in writing to the Company (a) declare the facility to be terminated whereupon the facility shall be forthwith cancelled; and (b) declare the liabilities payable under the 2022 Facility Letter to be forthwith due and payable, without presentment, demand, protest or notice of any kind, all of which are expressly waived by the Company, whereupon the same shall become forthwith due payable.

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

- (ii) On 7 December 2022, the Company entered into a facility agreement (the “**2022 Facility Agreement**”) with a syndicate of banks as lenders (the “**Banks**”) in respect of a term loan facility (with a lender accession option) of up to HK\$2,500 million for a period of 36 months commencing from the date of utilisation.

Pursuant to the 2022 Facility Agreement, it will be an event of default, inter alia, if: (i) the Tianjin SASAC ceases to maintain a majority shareholdings 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.

In case of an occurrence of an event of default, the Banks may by notice to the Company: (a) cancel the total commitments or any part(s) thereof; (b) declare that the loans or any relevant part thereof, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loans or any relevant part thereof be payable on demand.

- (iii) On 1 February 2023, the Company entered into a facility letter (the “**2023 Facility Letter**”) with a bank as Lender (the “**Lender**”) in respect of a revolving loan facility of HK\$100 million (the “**2023 Facility**”). The 2023 Facility has no fixed term and is subject to review at any time by the Lender.

Accordingly to the 2023 Facility Letter, the Company undertakes, among others, that the Tianjin SASAC shall remain as the ultimate beneficial owner of the Company and maintain a majority shareholding ownership directly or indirectly in the Company of more than 50%.

If violation of the relevant undertakings under the 2023 Facility Letter occurs, the Lender may suspend, withdraw or make demand for repayment of the whole or any part of the 2023 Facility at any time or determine whether or not to permit drawings in relation to the 2023 Facility.

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 2023.

DIRECTORS

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

Executive Directors

Mr. Teng Fei (<i>Chairman</i>)	(appointed as deputy general manager on 30 March 2023 and further appointed as Chairman on 27 March 2024)
Dr. Zhai Xinxiang (<i>General Manager</i>)	(appointed on 29 September 2023)
Mr. Wang Gang	(resigned on 27 March 2024)
Dr. Li Xiaoguang	(resigned on 29 September 2023)
Mr. Zhuang Qifei	(resigned on 30 March 2023)

Non-Executive Directors

Mr. Sun Lijun	(appointed on 30 March 2023)
Mr. Cheung Wing Yui, Edward	(retired on 21 June 2023)
Mr. Cui Xiaofei	(resigned on 30 March 2023)

Report of the Directors

DIRECTORS (Continued)

Independent Non-Executive Directors

Ms. Ng Yi Kum, Estella	
Mr. Wong Shiu Hoi, Peter	
Mr. Lau Ka Keung	(appointed on 30 March 2023)
Mr. Sin Hendrick	(appointed on 30 March 2023)
Dr. Cheng Hon Kwan	(retired on 21 June 2023)
Mr. Mak Kwai Wing, Alexander	(retired on 21 June 2023)
Dr. Loke Yu	(retired on 21 June 2023)

In accordance with article 92 of the Company's articles of association, Dr. Zhai Xinxiang will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with article 101 of the Company's articles of association, Mr. Teng Fei, Ms. Ng Yi Kum, Estella 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 16 to 19.

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).

PERMITTED INDEMNITY PROVISION

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

During the year, Mr. Teng Fei and Mr. Wang Gang were directors of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("TEDA Industrial") 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 TEDA Industrial.

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 2023, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements that would 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 2023, the following persons or corporations, other than the directors or chief executive of the Company, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("TEDA Holding")	1&2	Interest of controlled corporation	673,759,143	62.81%
TEDA Industrial	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%
Tsinlien	1&3	Direct beneficial interest and interest of controlled corporation	673,759,143	62.81%

notes:

- All interests stated above represent long positions.
- Tsinlien is a direct wholly-owned subsidiary of Bohai, which in turn is a direct wholly-owned subsidiary of TEDA Industrial. TEDA Industrial is a non-wholly owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, TEDA Industrial and Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

notes: (Continued)

3. As at 31 December 2023, 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 2023, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions and continuing connected transactions with connected persons (as defined in the Listing Rules):

Connected Transactions

- (i) On 1 August 2023, Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) ("**Lisheng Pharmaceutical**", an indirect non-wholly owned subsidiary of the Company) entered into a wealth management agreement with Bohai Huijin Securities Asset Management Co., Ltd. (渤海滙金證券資產管理有限公司) ("**Bohai Huijin Securities**") to subscribe for Bohai Huijin Huitianjin Monetary Market Fund (渤海滙金滙添金貨幣市場基金) in the subscription amount of RMB20,000,000 (the "**Subscription**").

Bohai Huijin Securities is a wholly-owned subsidiary of Bohai Securities Co., Ltd. (渤海證券股份有限公司) ("**BHSC**"). TEDA Holding, the controlling shareholder of the Company, through certain of its subsidiaries including Bohai, holds approximately 46.37% of the equity interest in BHSC. Bohai Huijin Securities is therefore an associate of TEDA Holding and a connected person of the Company. Accordingly, the Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the Subscription was disclosed in the Company's announcement dated 1 August 2023.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions (Continued)

- (ii) On 10 October 2023, Lisheng Pharmaceutical (as vendor) entered into an equity transfer agreement with Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) (“**Tianjin Pharmaceutical Da Ren Tang**”) (as purchaser) in relation to the disposal of 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) (“**Tianjin Pharmaceutical Finance**”) at a total consideration of RMB87,823,860 (the “**Disposal**”). Upon completion of the Disposal, the Company will not hold any equity interest in Tianjin Pharmaceutical Finance.

TEDA Holding is the controlling shareholder of the Company, through certain of its subsidiaries including Bohai, indirectly holds approximately 62.81% of the total issued shares of the Company, TEDA Holding and its subsidiaries are therefore connected persons of the Company as defined in the Listing Rules. In addition, Bohai directly holds 33% equity interest in Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) (“**Tianjin Pharmaceutical**”), both Tianjin Pharmaceutical and Tianjin Pharmaceutical Da Ren Tang (a subsidiary of Tianjin Pharmaceutical) are therefore associates of Bohai and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The agreement and the transactions contemplate thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 5 December 2023.

Details of the Disposal were disclosed in the Company’s announcements dated 25 August 2023, 10 October 2023 and 5 December 2023 and the circular dated 10 November 2023.

- (iii) On 11 December 2023, Lisheng Pharmaceutical and Tianjin Lisheng Investment Management Co., Ltd. (天津力生投資管理有限公司) (“**Lisheng Investment**”, a wholly-owned subsidiary of Lisheng Pharmaceutical) entered into a partnership agreement (the “**Partnership Agreement**”) with Bozheng Capital Investment Co., Ltd. (博正資本投資有限公司) (“**Bozheng Capital**”), Tianjin Jinjia Industrial Investment and Operation Co., Ltd. (天津市津嘉產業投資運營有限公司) (“**Tianjin Jinjia**”) and Tianjin Handeway Pharmaceutical Co., Ltd. (天津市漢德威藥業有限公司) (“**Tianjin Handeway**”) in relation to the formation of Tianjin Bosheng Health Equity Investment Fund (Limited Partnership) (天津博生大健康股權投資基金(有限合夥)), to principally invest in the sector of healthcare, focusing on small molecule and innovative drugs, biopharmaceuticals, high-end preparations, high-end medical equipment as well as medical services, etc. The total capital commitment of Lisheng Pharmaceutical and Lisheng Investment were RMB25,000,000.

On 14 March 2024, Lisheng Pharmaceutical and Lisheng Investment entered into a supplemental agreement to the Partnership Agreement (the “**Supplemental Agreement**”) with Bozheng Capital, Tianjin Jinjia and Tianjin Handeway to amend certain terms of the Partnership Agreement.

Bozheng Capital is a wholly-owned subsidiary of BHSC. TEDA Holding, the controlling shareholder of the Company, through certain of its subsidiaries including Bohai, holds approximately 46.37% of the equity interest in BHSC. Bozheng Capital is therefore an associate of TEDA Holding and a connected person of the Company. Accordingly, the entering into of the Partnership Agreement and the Supplemental Agreement constituted connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the transaction were disclosed in the Company’s announcements dated 11 December 2023, 3 January 2024 and 14 March 2024.

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions

As at the date of this report, TEDA Holding is the controlling shareholder of the Company, through certain of its subsidiaries including Bohai, indirectly holds approximately 62.81% of the total issued shares of the Company, TEDA Holding and its subsidiaries (other than members of the Group) (the “**TEDA Holding Group**”) are therefore connected persons of the Company as defined in the Listing Rules. In addition, Bohai directly holds 33% equity interest in Tianjin Pharmaceutical, Tianjin Pharmaceutical is therefore an associate of Bohai and also a connected person of the Company as defined in the Listing Rules.

During the year, the Group entered into the following continuing connected transactions with connected persons (as defined in the Listing Rules):

(i) Master Sales Agreement

On 17 November 2021, 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 (the “**Tianjin Pharmaceutical Group**”) for a term commencing from 1 January 2022 to 31 December 2024. The price of the Products shall be determined in accordance with the following principles:

- (a) the members of the Group will sell the Products to members of the Tianjin Pharmaceutical Group in accordance with the following pricing policies which are equally applicable to independent third party customers:
 - (i) the price (the “**Annual Price**”) of each of the Products will be determined on an annual basis with reference to the costs of production, past/projected profit margin (which may range from 5% to 90% depending on the product category), the market conditions (e.g. the market demand for such category of products and the availability of similar or comparable products in the market) and the price of similar products offered by independent third party suppliers in the same region;
 - (ii) such Annual Price may be adjusted from time to time according to the market conditions (e.g. fluctuations in the costs of raw materials and changes in market demand) and shall be reviewed regularly; and
- (b) the members of the Group may, based on the transaction quantity and payment terms, offer to the members of the Tianjin Pharmaceutical Group the same discount which the Group would offer to its independent third party customers.

For the year ended 31 December 2023, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB59,509,000 (equivalent to HK\$66,121,000), which is within the annual cap of RMB110,000,000 (equivalent to HK\$122,222,000).

CONNECTED TRANSACTIONS (Continued)

(ii) Entrusted Processing Master Agreement

On 17 November 2021, the Company entered into an entrusted manufacturing and processing master agreement (the “**Entrusted Processing Master Agreement**”) with Tianjin Pharmaceutical, pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and the carrying out of other related work of certain drugs (other than those the manufacturing and processing of which are prohibited to be entrusted to qualified contract manufacturing organisation under the Drug MAH System of the PRC) for a term commencing from 1 January 2022 to 31 December 2024. The fees receivable shall be determined in accordance with the following principles:

- (a) the members of the Group shall, in accordance with the following pricing policies which are equally applicable to both independent third-party customers, and with reference to other factors including market conditions and fees charged by independent third parties for the manufacturing and processing of similar drugs, charge the members of the Tianjin Pharmaceutical Group manufacturing and processing fees:
 - (i) for raw materials and packaging materials: the relevant procurement costs;
 - (ii) for production inputs other than raw materials and packaging materials and for work done including entrusted manufacturing and processing: total costs plus a profit margin of approximately 20% to 45%; and
- (b) the members of the Group may, based on the production quantity and payment terms, offer to the members of the Tianjin Pharmaceutical Group the same discount which the Group would offer to its independent third party customers.

For the year ended 31 December 2023, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB33,840,000 (equivalent to HK\$37,600,000), which is within the cap amount of RMB90,000,000 (equivalent to HK\$100,000,000).

(iii) Master Purchase Agreement

On 17 November 2021, the Company entered into a master purchase agreement (the “**Master Purchase Agreement**”) with Tianjin Pharmaceutical in relation to the purchasing of pharmaceutical product(s) or raw materials from members of the Tianjin Pharmaceutical Group to members of the Group for a term commencing from 1 January 2022 to 31 December 2024. The price of the pharmaceutical product(s) or raw materials shall be determined in accordance with the following principles:

- (a) depending on the type of pharmaceutical product or raw material to be purchased under the individual contract, if governmental-prescribed price is applicable to such type of drug or raw material, such pharmaceutical product or raw material shall be supplied at the applicable governmental-prescribed price;
- (b) if governmental-prescribed price is not available for the particular type of pharmaceutical product or raw material but a governmental-guided pricing standard is available, the price will fall within the range of the government-guided price; and
- (c) where no pricing standard is available as aforesaid, the price shall be determined through arm’s length basis by parties with reference to the then prevailing market price and taking into account the quantity and quality of the relevant pharmaceutical product or raw material, and the Group will evaluate the fairness and reasonableness of the price by obtaining at least two other quotations for the relevant pharmaceutical product or raw material with similar quality and quantity from independent third party suppliers.

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

(iii) Master Purchase Agreement (Continued)

For the year ended 31 December 2023, the total amount paid by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB2,731,000 (equivalent to HK\$3,034,000), which is within the cap amount of RMB10,000,000 (equivalent to HK\$11,111,000).

(iv) Water Transmission Pipelines Lease Master Agreement

On 17 November 2021, the Company entered into a water transmission pipelines lease master agreement (the **“Water Transmission Pipelines Lease Master Agreement”**) with TEDA Holding in relation to the lease of the water transmission pipelines and the relevant ancillary facilities (the **“Water Transmission Facilities”**) by members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2022 to 31 December 2024. The leasing fee shall be determined in accordance with the following principles:

- (a) the monthly leasing fee shall be calculated based on 115% of (i) the monthly depreciation costs of the relevant Water Transmission Facilities plus (ii) the relevant loan interest attributable to the costs of construction of the Water Transmission Facilities incurred by relevant members of the TEDA Holding Group; and
- (b) in case the lessee is unable to use any Water Transmission Facilities due to any maintenance work necessitated by natural damage or causes unrelated to the lessee, the leasing fee for the relevant year will be adjusted to exempt the lessee from paying the leasing fee for the affected period.

For the year ended 31 December 2023, the total amount paid by the Group to TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB11,758,000 (equivalent to HK\$13,064,000), which is within the cap amount of RMB16,000,000 (equivalent to HK\$17,778,000).

(v) Heat and Power Networks and Facilities Lease Master Agreement

On 17 November 2021, the Company entered into a heat and power networks and facilities lease master agreement (the **“Heat and Power Networks and Facilities Lease Master Agreement”**) with TEDA Holding in relation to the lease of heat and power networks and related facilities by members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2022 to 31 December 2024. The monthly leasing fee shall be calculated based on 115% of the monthly depreciation costs of the relevant heat and power networks and related facilities incurred by the relevant members of the TEDA Holding Group.

For the year ended 31 December 2023, the total amount paid by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB9,320,000 (equivalent to HK\$10,356,000), which is within the cap amount of RMB11,800,000 (equivalent to HK\$13,111,000).

CONTINUING CONNECTED TRANSACTIONS (Continued)

(vi) Steam Purchase Master Agreement

On 17 November 2021, the Company entered into a steam purchase master agreement (as amended by a supplemental agreement dated 11 November 2022) (the “**Steam Purchase Master Agreement**”) with TEDA Holding in relation to the purchasing of steam and heat power products from members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2022 to 31 December 2024. The price of the steam and heat power products shall be determined in accordance with the government guidance prices, the rate of return and the standard of quality of products, and in particular with reference to the followings:

- (a) the guidance prices of natural gas for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC (中國天津市發展和改革委員會) from time to time and the current transacted prices of coal in the local coal exchange or market in the PRC;
- (b) the rate of return of capital (with reference to the rate of return of capital as stipulated in the Energy Products Subsidy Plan in TEDA (天津開發區能源產品補貼方案) issued by the TEDA Finance Bureau from time to time); and
- (c) the standard of quality of the steam and heat power products as specified in the individual purchase contract(s).

For the year ended 31 December 2023, the total amount paid by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB947,003,000 (equivalent to HK\$1,052,226,000), which is within the annual cap of RMB1,500,000,000 (equivalent to HK\$17,778,000).

Details of the above transactions were disclosed in the Company’s announcements dated 17 November 2021, 21 December 2021, 11 November 2022 and 21 December 2022 and the circulars dated 3 December 2021 and 30 November 2022.

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 an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions contemplated under the Master Sales Agreement, the Entrusted Processing Master Agreement, the Master Purchase Agreement, the Water Transmission Pipelines Lease Master Agreement, the Heat and Power Networks and Facilities Lease Master Agreement and the Steam Purchase Master Agreement as 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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 15% 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 | 39% |
| – five largest suppliers in aggregation | 71% |

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 of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2023, except for the deviations as disclosed in the Corporate Governance Report as set out on page 43.

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

Teng Fei

Chairman and Executive Director

Hong Kong, 27 March 2024



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 74 to 171, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and the 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 material accounting policy information and other explanatory information.

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 2023, 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 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.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of an investment accounted for using the equity method – Tianjin Port Development Holdings Limited (“Tianjin Port”)</i></p> <p>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.</p> <p>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 rate and expected dividend income.</p> <p>Further details of the impairment assessment are set out in Note 20(a) to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of an investment accounted for using the equity method – Tianjin Port included:</p> <ul style="list-style-type: none">• 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.

Independent Auditor's Report

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 HKSA's 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 HKSA's, 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.
- 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.

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

- 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, actions taken to eliminate threats or safeguards applied.

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 K.W. Yim.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	3,338,429	3,705,129
Cost of sales		(2,328,301)	(2,694,652)
Gross profit		1,010,128	1,010,477
Other income	5	289,785	330,787
Other gains and losses, net	6	271,209	(158,638)
Selling and distribution expenses		(371,997)	(410,354)
General and administrative expenses		(409,523)	(442,959)
Other operating expenses		(152,118)	(149,775)
Finance costs	7	(107,352)	(82,495)
Share of net profit of associates and joint venture accounted for using the equity method	16	552,389	457,000
Profit before tax		1,082,521	554,043
Tax expense	8	(99,984)	(49,889)
Profit for the year	9	982,537	504,154
Attributable to:			
Owners of the Company		635,634	358,162
Non-controlling interests		346,903	145,992
		982,537	504,154
Earnings per share		HK cents	HK cents
Basic	12	59.25	33.39
Diluted		59.25	33.38

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Profit for the year		982,537	504,154
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income	18	555,552	(445,991)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		(83,462)	66,485
Share of other comprehensive expense of investments accounted for using the equity method			
– fair value through other comprehensive income reserve, net of tax		(6,678)	(7,356)
Currency translation differences			
– the Group		(145,465)	(893,877)
– investments accounted for using the equity method		(85,736)	(543,703)
Other comprehensive income (expense) for the year		234,211	(1,824,442)
Total comprehensive income (expense) for the year		1,216,748	(1,320,288)
Attributable to:			
Owners of the Company		613,256	(808,584)
Non-controlling interests		603,492	(511,704)
		1,216,748	(1,320,288)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,111,935	2,264,579
Land use rights	14	473,294	490,418
Investment properties	15	206,954	218,589
Investments accounted for using the equity method	16	6,826,722	6,743,298
Intangible assets	17	825	1,081
Financial assets at fair value through profit or loss	26	33,033	–
Finance lease receivables	19	15,068	127,248
Deposit paid for acquisition of a subsidiary		110,375	–
Deposits paid for acquisition of property, plant and equipment		47,831	2,572
Deferred tax assets	34	88,387	80,845
Equity instruments at fair value through other comprehensive income	18	1,719,518	1,281,781
		11,633,942	11,210,411
Current assets			
Inventories	21	318,690	340,265
Amounts due from investments accounted for using the equity method	22	13,213	13,425
Amount due from ultimate holding company	22	305	1,131
Amounts due from related companies	23	88,039	62,879
Contract assets	24	107,092	114,250
Finance lease receivables	19	108,401	–
Trade receivables	25	1,390,103	1,371,974
Other receivables, deposits and prepayments	25	328,706	192,012
Financial assets at fair value through profit or loss	26	364,998	487,559
Structured deposits	27	154,919	–
Entrusted deposits	28	1,082,594	1,133,865
Restricted bank balances	29	216,868	178,853
Time deposits with maturity over three months	29	1,926,784	2,498,153
Cash and cash equivalents	29	4,461,089	3,661,450
		10,561,801	10,055,816
Asset classified as held for sale	18(iii)	96,936	–
		10,658,737	10,055,816
Total assets		22,292,679	21,266,227

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
EQUITY			
Owners of the Company			
Share capital	30	5,136,285	5,136,285
Reserves	31	7,398,506	6,879,701
		12,534,791	12,015,986
Non-controlling interests		4,978,137	4,413,294
Total equity		17,512,928	16,429,280
LIABILITIES			
Non-current liabilities			
Lease liabilities	38	5,019	10,257
Bank borrowings	33	1,710,630	1,564,639
Deferred tax liabilities	34	236,233	158,992
		1,951,882	1,733,888
Current liabilities			
Trade payables	35	518,398	842,894
Other payables and accruals	36	1,294,865	1,221,556
Amounts due to related companies	23	183,024	204,814
Contract liabilities	37	632,444	742,573
Lease liabilities	38	5,527	8,319
Bank borrowings	33	100,000	–
Current tax liabilities		93,611	82,903
		2,827,869	3,103,059
Total liabilities		4,779,751	4,836,947
Total equity and liabilities		22,292,679	21,266,227
Net current assets		7,830,868	6,952,757
Total assets less current liabilities		19,464,810	18,163,168

The consolidated financial statements on pages 74 to 171 were approved and authorised for issue by the board of directors of the Company on 27 March 2024 and are signed on its behalf by:

Teng Fei
DIRECTOR

Zhai Xinxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Owners of the Company			Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000 (Note 31)	Retained earnings HK\$'000			
At 1 January 2022		5,136,285	831,936	6,930,472	12,898,693	4,976,965	17,875,658
Profit for the year		–	–	358,162	358,162	145,992	504,154
Other comprehensive expense for the year		–	(1,166,746)	–	(1,166,746)	(657,696)	(1,824,442)
Total comprehensive (expense) income for the year		–	(1,166,746)	358,162	(808,584)	(511,704)	(1,320,288)
Dividends	11	–	–	(96,013)	(96,013)	(53,096)	(149,109)
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	32	–	–	–	–	583	583
Transfer between reserves		–	16,559	(16,559)	–	–	–
Others		–	21,890	–	21,890	546	22,436
		–	38,449	(112,572)	(74,123)	(51,967)	(126,090)
At 31 December 2022		5,136,285	(296,361)	7,176,062	12,015,986	4,413,294	16,429,280
Profit for the year		–	–	635,634	635,634	346,903	982,537
Other comprehensive (expense) income for the year		–	(22,378)	–	(22,378)	256,589	234,211
Total comprehensive (expense) income for the year		–	(22,378)	635,634	613,256	603,492	1,216,748
Dividends	11	–	–	(96,013)	(96,013)	(48,755)	(144,768)
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	32	–	–	–	–	6,908	6,908
Transfer between reserves		–	55,723	(55,723)	–	–	–
Others		–	1,562	–	1,562	3,198	4,760
		–	57,285	(151,736)	(94,451)	(38,649)	(133,100)
At 31 December 2023		5,136,285	(261,454)	7,659,960	12,534,791	4,978,137	17,512,928

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	42	(83,955)	347,085
PRC income tax paid		(99,777)	(66,618)
Interest paid		(107,062)	(82,143)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(290,794)	198,324
INVESTING ACTIVITIES			
Proceeds from redemption of entrusted deposits		1,700,792	656,388
Decrease in time deposits with maturity over three months		539,094	111,476
Dividends received from associates and joint venture		376,864	421,498
Proceeds from disposal of property, plant and equipment		283,819	133,257
Interest received		256,441	216,855
Dividend received from equity instruments at fair value through other comprehensive income		6,860	21,125
Repayment from (advances to) investments accounted for using the equity method		19	(51)
Additions of entrusted deposits		(1,666,667)	(1,129,220)
Additions of structured deposits		(155,952)	–
Purchases of property, plant and equipment		(116,834)	(153,463)
Deposit paid for acquisition of a subsidiary		(110,375)	–
Deposit paid for acquisition of property, plant and equipment		(48,150)	–
Additions of restricted bank balances		(40,852)	(72,619)
Disposal of subsidiaries		–	415,616
NET CASH FROM INVESTING ACTIVITIES		1,025,059	620,862
FINANCING ACTIVITIES			
Drawdown of bank borrowings		430,000	1,564,265
Amount received from restricted shares incentive scheme of a subsidiary		3,941	23,526
Capital contribution from non-controlling interests of a subsidiary		2,667	–
Repayment of bank borrowings		(180,000)	(2,292,200)
Dividends paid		(144,768)	(149,109)
Repayment of lease liabilities		(8,670)	(9,055)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		103,170	(862,573)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		837,435	(43,387)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,661,450	3,998,814
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(37,796)	(293,977)
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,461,089	3,661,450
Represented by:			
Cash and cash equivalents		4,461,089	3,661,450

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

1. GENERAL INFORMATION

Tianjin Development Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in (i) utilities including supply of water, and heat and thermal power as well as electricity; (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 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 45(b).

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

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**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance (the “**Companies Ordinance**”).

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” (Continued)

If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in this note.

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information

(a) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 4, 24 and 37.

(b) 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 related to income 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 income 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.

(c) Group accounting

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(i) Subsidiaries (Continued)

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.

Profit or loss and each component 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.

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.

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.

(ii) 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(ii) Associates and joint ventures (Continued)

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 "Impairment of Assets" ("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 assets, 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.

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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” (“**HKFRS 15**”). 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 (“**FVTPL**”)) 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 FVTPL 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

Financial assets 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 (“**FVTOCI**”):

- 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 FVTPL, except that at 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 OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) 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 FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(a) 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.

(b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; 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 from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(c) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL 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 gains and losses, net” line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”)

The Group performs impairment assessment under expected credit losses (“**ECL**”) 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, finance lease receivables, trade and other receivables, restricted bank balances, time deposits with maturity over three months and bank balances) and other items (contract assets) subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL 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 ECL 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 ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) (Continued)

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.

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.

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.

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.

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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

The measurement of ECL 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 ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 “Leases” (“**HKFRS 16**”).

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 and other receivables, contract assets and finance lease receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

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.

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

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related companies, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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.

(e) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(f) Property, plant and equipment

Buildings comprise mainly factories, hotel, office premises and warehouses. All property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress 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, including cost of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The assets' depreciation method, residual values and estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(g) Land use rights

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration 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 relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is classified as right-of-use assets 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 consideration cannot be allocated reliably between the non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

(h) 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 fair value, adjusted to exclude any prepaid or accrued operating lease income. 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.

(i) Leases

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(i) Leases (Continued)

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of motor vehicles 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.

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 are 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(i) Leases (Continued)

As a lessee (Continued)

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; 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) whenever 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 classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(i) Leases (Continued)

As a lessor (Continued)

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.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope of HKFRS 9.

(j) 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).

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 testing a CGU for impairment, corporate assets are allocated to the relevant CGU 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 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

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

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.

(k) Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include: (i) cash, which comprises of cash on hand and deposits held at call with banks, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and (ii) cash equivalents, which comprises of other short-term (generally with original maturities of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(m) Employee benefits

(i) Retirement benefit costs

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 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) Restricted shares incentive scheme

Equity-settled share-based payment to employees providing services are measured at the fair value of the equity instrument at the grant date.

The cost of acquisition of shares of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), an indirect non-wholly owned subsidiary listed on the Shenzhen Stock Exchange ("**Lisheng Pharmaceutical**"), which held for the restricted shares incentive scheme is recorded as Lisheng Pharmaceutical's treasury shares and is recoded as non-controlling interests of the Group. 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 of Lisheng Pharmaceutical and non-controlling interest of the Group). At the time when the shares are vested, the amount previously recognised in share-based payment reserve and the amount of the relevant treasury shares will be transferred to share capital/share premium of Lisheng Pharmaceutical.

At the end of each reporting period, the Group revisit their estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the non-controlling interests of the Group.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(n) Non-current assets held for sale

Non-current assets (or 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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for 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.

(o) Current and deferred income tax

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the end of the reporting period.

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 profits.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(o) Current and deferred income tax (Continued)

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 carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

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.

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

(p) 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.

(q) Provisions

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.

(r) Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

Judgements and estimates 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.

Key sources of estimation uncertainty

(a) Interest in Tianjin Port Development Holdings Limited (天津港發展控股有限公司) (“Tianjin Port”)

The Group's interest in Tianjin Port carried at its share of net assets together with premium on its acquisition less impairment loss.

As at 31 December 2023, the carrying value of the Group's interest in Tianjin Port exceeded the market value (based on bid price quoted in an active market at 31 December 2023) of the Group's attributable holding therein by approximately HK\$3,085,052,000 (2022: approximately HK\$2,872,059,000). The carrying value of the Group's interest in Tianjin Port is approximately HK\$3,686,381,000, net of impairment loss of HK\$300,000,000 (2022: approximately HK\$3,609,172,000, net of impairment loss of HK\$300,000,000). Management has assessed the value in use of the Group's interest in Tianjin Port based on discounted cash flows. This assessment involves significant assumptions including discount rates, dividend growth rate 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 20(a).

(b) Recognition of government supplemental income

The Group's heat entity in utilities business receives government supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area (the “TEDA Finance Bureau”) on an annual basis whereby the amount of such income will only be finalised after the end of the financial year. For the purpose of these consolidated financial statements, the Group, after discussion with the TEDA Finance Bureau, has recognised an amount of such government supplemental income for the year ended 31 December 2023 (Note 4(i)) based on a notice issued by the relevant government authority of TEDA and certain operating data of the heat entity for the year ended 31 December 2023. While the directors of the Company are of the opinion that the government supplemental income for the year ended 31 December 2023 is reasonable and represents the best estimate of the Group's entitlement after taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

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

The impairment assessments had been carried out for the non-current assets of the electrical and mechanical segment as at 31 December 2023. Determining whether the carrying amounts of the non-current assets (including the property, plant and equipment and land use rights) (where there are indicators of impairment) are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. The estimated recoverable amount of the non-current assets of the electrical and mechanical segment is measured at fair value less cost of disposal and assessed if any impairment would arise. Where the fair value less cost of disposal is less than expected, a material impairment loss may arise. Further details are set out in Note 20(b).

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Provision of ECL for trade receivables (excluding those backed by notes) and contract assets

The Group uses provision matrix to calculate ECL for trade receivables (excluding those backed by notes) 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 that is reasonable and supportable without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables (excluding those backed by notes) and contract assets are disclosed in Notes 24, 25 and 43.

(e) Fair value measurements and valuation processes

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK\$1,619,566,000 as at 31 December 2023 (2022: HK\$1,176,459,000) (Note 18) are measured at fair values which are determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Besides, some of the Group's other assets are also 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. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are disclosed in Note 43.

(f) 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.

(g) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2023 and 2022 at their fair values, details of which are disclosed in Note 15. 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, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents, 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

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-maker (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 Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“**TEDA Power**”), 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 Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”), 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 hydroelectric equipment and 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 Elevator (China) Investment Company Limited (奧的斯電梯(中國)投資有限公司) (“**Otis China**”), which manufactures and sells elevators and escalators.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2023

Segments	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
Types of goods or services					
Utilities					
Water	311,338	-	-	-	311,338
Heat and thermal power	1,288,511	-	-	-	1,288,511
	1,599,849	-	-	-	1,599,849
Pharmaceutical					
Manufacture and sales of pharmaceutical products	-	1,266,904	-	-	1,266,904
Design, manufacture and printing for pharmaceutical packaging	-	174,533	-	-	174,533
	-	1,441,437	-	-	1,441,437
Hotel	-	-	130,378	-	130,378
Electrical and mechanical					
Manufacture and sales of hydroelectric equipment and large scale pump units	-	-	-	166,765	166,765
	1,599,849	1,441,437	130,378	166,765	3,338,429
Timing of revenue recognition					
A point in time	1,599,849	1,441,437	-	-	3,041,286
Over time	-	-	130,378	166,765	297,143
	1,599,849	1,441,437	130,378	166,765	3,338,429

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2022

Segments	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
Types of goods or services					
Utilities					
Water	326,962	-	-	-	326,962
Heat and thermal power	1,532,269	-	-	-	1,532,269
	1,859,231	-	-	-	1,859,231
Pharmaceutical					
Manufacture and sales of pharmaceutical products	-	1,326,856	-	-	1,326,856
Design, manufacture and printing for pharmaceutical packaging	-	159,935	-	-	159,935
	-	1,486,791	-	-	1,486,791
Hotel	-	-	77,717	-	77,717
Electrical and mechanical					
Manufacture and sales of hydroelectric equipment and large scale pump units	-	-	-	281,390	281,390
	1,859,231	1,486,791	77,717	281,390	3,705,129
Timing of revenue recognition					
A point in time	1,859,231	1,486,791	-	-	3,346,022
Over time	-	-	77,717	281,390	359,107
	1,859,231	1,486,791	77,717	281,390	3,705,129

4. SEGMENT INFORMATION (Continued)

Performance obligations for contracts with customers and revenue recognition policies

The Group recognises revenue from the following major sources:

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2023

	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000
Segment revenue – external customers	1,599,849	1,441,437	130,378	166,765	-	-	3,338,429
Operating profit (loss) before interest	31,204	422,470	21,983	(37,353)	-	-	438,304
Interest income	37,484	72,437	84	750	-	-	110,755
Finance costs	-	(290)	-	-	-	-	(290)
Share of net profit (loss) of associates and joint venture accounted for using the equity method	63,025	(57,025)	-	-	153,276	393,114	552,390
Profit (loss) before tax	131,713	437,592	22,067	(36,603)	153,276	393,114	1,101,159
Tax (expense) credit	(16,802)	(67,485)	(4,267)	1,080	-	-	(87,474)
Segment results – profit (loss) for the year	114,911	370,107	17,800	(35,523)	153,276	393,114	1,013,685
Non-controlling interests	(4,532)	(264,003)	-	6,130	-	(67,851)	(330,256)
Profit (loss) attributable to owners of the Company	110,379	106,104	17,800	(29,393)	153,276	325,263	683,429
Segment results – profit (loss) for the year includes:							
Depreciation and amortisation	63,822	81,446	14,033	24,482	-	-	183,783

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2022

	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000
Segment revenue – external customers	1,859,231	1,486,791	77,717	281,390	–	–	3,705,129
Operating profit before interest	25,627	60,162	2,157	5,237	–	–	93,183
Interest income	40,954	115,622	7	3,073	–	–	159,656
Finance costs	–	(352)	–	(23,281)	–	–	(23,633)
Share of net profit (loss) of associates and joint venture accounted for using the equity method	59,807	(64,405)	–	–	69,942	393,011	458,355
Profit (loss) before tax	126,388	111,027	2,164	(14,971)	69,942	393,011	687,561
Tax (expense) credit	(3,948)	(30,221)	397	1,138	–	–	(32,634)
Segment results – profit (loss) for the year	122,440	80,806	2,561	(13,833)	69,942	393,011	654,927
Non-controlling interests	(5,612)	(66,295)	–	2,388	–	(67,834)	(137,353)
Profit (loss) attributable to owners of the Company	116,828	14,511	2,561	(11,445)	69,942	325,177	517,574
Segment results – profit (loss) for the year includes:							
Depreciation and amortisation	37,453	92,691	15,012	27,053	–	–	172,209

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	2023 HK\$'000	2022 HK\$'000
Reconciliation of profit for the year		
Total reportable segments	1,013,685	654,927
Corporate and others (note (ii))	(31,148)	(150,773)
Profit for the year	982,537	504,154

notes:

(i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK\$311,338,000 and HK\$1,288,511,000, respectively (2022: HK\$326,962,000 and HK\$1,532,269,000, respectively).

The above revenue included government supplemental income of HK\$395,472,000 (2022: HK\$632,061,000).

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

Segment assets and liabilities

	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total reportable segments HK\$'000	Corporate and others HK\$'000 (note)	Total HK\$'000
As at 31 December 2023									
Segment assets	4,113,689	7,910,671	489,396	601,722	3,686,381	1,016,817	17,818,676	4,474,003	22,292,679
Segment liabilities	1,307,496	1,027,404	17,768	682,618	-	-	3,035,286	1,744,465	4,779,751
As at 31 December 2022									
Segment assets	3,690,684	7,337,698	492,483	559,020	3,609,172	980,014	16,669,071	4,597,156	21,266,227
Segment liabilities	1,641,647	1,114,369	9,046	560,106	-	-	3,325,168	1,511,779	4,836,947

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, structured deposits, entrusted deposits, financial assets at FVTPL, property, plant and equipment, investment properties, equity instruments at FVTOCI, finance lease receivables, investments accounted for using the equity method and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
The PRC	3,208,051	3,627,412
Hong Kong	130,378	77,717
	3,338,429	3,705,129

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

	2023 HK\$'000	2022 HK\$'000
The PRC	9,377,578	9,300,776
Hong Kong	400,358	419,761
	9,777,936	9,720,537

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

5. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Interest income	255,332	254,259
Government grants	7,384	5,425
Dividend income from equity instruments at FVTOCI	6,860	21,125
Rental income, net of negligible outgoings	6,252	6,152
Sales of scrap materials	1,461	5,141
Finance lease interest income	6,177	7,968
Sundries	6,319	30,717
	289,785	330,787

6. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Net gains (losses) on disposal/written off of property, plant and equipment (note (i))	249,703	(40,411)
Net exchange losses	(17,778)	(65,044)
Reversal of (allowance for) impairment losses (note (ii)):		
– trade receivables	23,683	(2,014)
– contract assets	7,561	21,747
– other receivables	916	(7,265)
– finance lease receivables	(1,966)	504
Decrease in fair value of investment properties (Note 15)	(8,556)	(3,260)
Net fair value (losses) gains on financial assets held for trading		
– listed	(61)	362
– unlisted	17,707	(63,257)
	271,209	(158,638)

notes:

- (i) Amount included an one-off gain of approximately RMB238,597,000 (equivalent to approximately HK\$265,108,000) (2022: nil) regarding the resumption of the parcels of land and building for industrial use located in Tianjin.
- (ii) Details of impairment assessment for the years ended 31 December 2023 and 2022 are set out in Note 43(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expenses on bank borrowings	107,062	82,143
Interest on lease liabilities	290	352
	107,352	82,495

8. TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	111,623	61,681
Underprovision in prior years	132	9,197
Deferred taxation (Note 34)	(11,771)	(20,989)
	99,984	49,889

No provision for Hong Kong profits tax has been made for both years as there was no estimated assessable profit derived from Hong Kong or the estimated assessable profit is wholly absorbed by tax losses brought forward from previous years.

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

The tax expense of 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:

	2023 HK\$'000	2022 HK\$'000
Profit before tax	1,082,521	554,043
Less: share of net profit of associates and joint venture accounted for using the equity method	(552,389)	(457,000)
	530,132	97,043
Calculated at applicable tax rates	111,821	22,141
Income not subject to taxation	(57,853)	(40,447)
Expenses not deductible for taxation purposes	38,662	56,362
Underprovision in prior years	132	9,197
Tax losses not recognised	7,222	2,636
Tax expense	99,984	49,889

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

9. PROFIT FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Profit for the year is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 10)	525,412	557,339
Cost of inventories recognised as an expense	1,772,967	2,057,029
Depreciation		
– charged to cost of sales	124,267	104,259
– charged to administrative expenses	61,926	74,644
– charged to selling expenses	460	998
– charged to other operating expenses	11,035	875
Depreciation of land use rights	5,838	12,259
Amortisation of intangible assets	243	255
Short-term lease expenses on		
– plants, pipelines and networks	24,145	25,289
– land and buildings	3,464	3,947
Auditor's remuneration		
– audit services	8,015	8,328
– non-audit services	2,693	2,405
Research and development costs charged to other operating expenses	144,691	148,501

Where government grants, including the Coronavirus Disease 2019 (the “**Coronavirus**”) related grants, as part of profit or loss, presented consistently by deducting them in reporting the related expenses, rather than separately or under other income in Note 5.

For the year ended 31 December 2022, Coronavirus related government grants amounting to HK\$600,000 and HK\$400,000 for subsidising the restaurant operation and supporting the tourism industry of the Group's hotel had been offset against administrative expenses, respectively. In addition, Coronavirus related to government grants amounting to HK\$3,024,000 had been offset against employees' benefit expense.

10. EMPLOYEES' BENEFITS EXPENSE

	2023 HK\$'000	2022 HK\$'000
Wages, salaries, bonus and social security costs	525,412	557,339

The total expense recognised in profit or loss of HK\$138,170,000 (2022: HK\$138,931,000) represents contributions payable to retirement benefits schemes by the Group at rates specified in the rules of the schemes.

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For the year ended 31 December 2023

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

(a) Emoluments of directors and chief executive

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

For the year ended 31 December 2023

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
<i>Executive Directors:</i>						
Teng Fei ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-
Zhai Xinxiang ^(iv)	-	239	-	-	-	239
Wang Gang ⁽ⁱⁱ⁾ ^(iv)	-	-	-	-	-	-
Li Xiaoguang ^(viii)	-	388	528	-	-	916
Zhuang Qifei ⁽ⁱⁱ⁾ ^(vii)	-	-	-	-	-	-
<i>Non-Executive Directors:</i>						
Sun Lijun ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-
Cheung Wing Yui, Edward ^(x)	151	28	-	-	-	179
Cui Xiaofei ⁽ⁱⁱ⁾ ^(vii)	-	-	-	-	-	-
<i>Independent Non-Executive Directors:</i>						
Ng Yi Kum, Estella	382	60	-	-	-	442
Wong Shiu Hoi, Peter	382	60	-	-	-	442
Lau Ka Keung ⁽ⁱⁱⁱ⁾	288	46	-	-	-	334
Sin Hendrick ⁽ⁱⁱⁱ⁾	288	46	-	-	-	334
Cheng Hon Kwan ^(x)	181	28	-	-	-	209
Mak Kwai Wing, Alexander ^(x)	181	28	-	-	-	209
Loke Yu ^(x)	181	28	-	-	-	209
	2,034	951	528	-	-	3,513

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For The Year Ended 31 December 2023

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

For the year ended 31 December 2022

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
<i>Executive Directors:</i>						
Wang Gang ^{(ii) (iv)}	-	-	-	-	-	-
Li Xiaoguang	-	743	1,782	-	-	2,525
Zhuang Qifei ⁽ⁱⁱ⁾	-	-	-	-	-	-
Zhang Binjun ^(ix)	-	-	-	-	-	-
<i>Non-Executive Directors:</i>						
Cui Xiaofei ⁽ⁱⁱ⁾	-	-	-	-	-	-
Cheung Wing Yui, Edward	318	60	-	-	-	378
<i>Independent Non-Executive Directors:</i>						
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
	2,228	1,103	1,782	-	-	5,113

- (i) Other benefits include allowance, insurance premium, leave pay and gratuity on retirement.
- (ii) During the years ended 31 December 2023 and 2022, the director's emoluments were borne by respective intermediate shareholders.
- (iii) Appointed on 30 March 2023.
- (iv) Appointed on 29 September 2023.
- (v) Appointed on 7 January 2022.
- (vi) Resigned on 27 March 2024.
- (vii) Resigned on 30 March 2023.
- (viii) Resigned on 29 September 2023.
- (ix) Resigned on 7 January 2022.
- (x) Retired on 21 June 2023.
- (xi) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.
- (xii) The emoluments of non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.
- (xiii) 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 2023 and 2022.
- (xiv) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group include one director (2022: one director), and his emolument is shown in Note 10(a) above. The emoluments of the remaining four (2022: four) individuals with the highest emoluments were as follows:

	2023	2022
	HK\$'000	HK\$'000
Salaries and other benefits	3,508	3,495
Discretionary bonuses	791	972
Retirement scheme contributions	72	72
	4,371	4,539

The emoluments of the four (2022: four) highest paid individuals who are not the directors of the Company fell within the following bands:

	2023	2022
Emolument bands (HK\$)		
500,000 – 1,000,000	2	2
1,000,001 – 1,500,000	1	1
1,500,001 – 2,000,000	1	1
	4	4

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

(c) Emoluments of senior management

Other than the emoluments of directors disclosed in Note 10(a), the aggregate emoluments of senior management of the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	2,274	2,274
Discretionary bonuses	524	672
Retirement scheme contributions	36	36
	2,834	2,982

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

	2023	2022
Emolument bands (HK\$)		
1,000,001 – 2,000,000	2	2

11. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividends recognised as distribution during the year		
– 2023 interim dividend, paid – HK3.45 cents per ordinary share (2022: HK3.45 cents per ordinary share)	37,011	37,011
– 2022 final dividend, paid – HK5.50 cents per ordinary share (2021: HK5.50 cents per ordinary share)	59,002	59,002
	96,013	96,013

A final dividend of HK8.80 cents (2022: HK5.50 cents) per ordinary share for the year ended 31 December 2023, amounting to approximately HK\$94,404,000 (2022: HK\$59,002,000), 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. EARNINGS PER SHARE

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

Earnings

	2023 HK\$'000	2022 HK\$'000
Profit attributable to owners of the Company for the purpose of basic earnings per share	635,634	358,162
Effect of dilutive potential ordinary shares arising from restricted shares incentive scheme of Lisheng Pharmaceutical (Note 32)	–	(71)
Profit attributable to owners of the Company for the purpose of diluted earnings per share	635,634	358,091

Number of shares

	2023 Thousand	2022 Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	1,072,770	1,072,770

The computation of the above diluted earnings per share does not assume (i) the issuance of unvested restricted shares granted by Lisheng Pharmaceutical since it would result in an increase in earnings per share for the year ended 31 December 2023; and (ii) the exercise of the share options issued by an investment accounted for using the equity method of the Group because the exercise price of those share options were higher than the average market price of shares of an investment accounted for using the equity method of the Group for both years.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings 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 1 January 2023	2,397,740	54,026	2,172,537	169,290	17,557	40,474	13,177	4,864,801
Exchange differences	(30,620)	(177)	(48,721)	(2,386)	(211)	(780)	(240)	(83,135)
Additions	31,353	454	23,841	4,622	30	58,625	915	119,840
Transfers	14,412	-	14,105	-	-	(28,517)	-	-
Disposals/write off	(43,825)	-	(20,827)	(13,342)	(878)	-	(192)	(79,064)
At 31 December 2023	2,369,060	54,303	2,140,935	158,184	16,498	69,802	13,660	4,822,442
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2023	908,090	35,824	1,473,911	137,443	12,986	23,190	8,778	2,600,222
Exchange differences	(11,312)	(70)	(20,947)	(1,424)	(151)	(332)	(139)	(34,375)
Charge for the year	75,596	7,176	108,424	4,255	209	-	2,028	197,688
Disposals/write off	(27,830)	-	(11,570)	(13,244)	(366)	-	(18)	(53,028)
At 31 December 2023	944,544	42,930	1,549,818	127,030	12,678	22,858	10,649	2,710,507
CARRYING VALUE								
At 31 December 2023	1,424,516	11,373	591,117	31,154	3,820	46,944	3,011	2,111,935
COST								
At 1 January 2022	2,642,880	40,490	2,344,193	178,503	21,983	212,894	8,433	5,449,376
Exchange differences	(198,504)	(1,057)	(190,546)	(11,641)	(1,475)	(11,764)	(1,227)	(416,214)
Additions	3,349	14,593	17,705	3,527	-	121,927	5,971	167,072
Transfers	208,824	-	73,759	-	-	(282,583)	-	-
Disposals/write off	(258,809)	-	(72,574)	(1,099)	(2,951)	-	-	(335,433)
At 31 December 2022	2,397,740	54,026	2,172,537	169,290	17,557	40,474	13,177	4,864,801
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2022	997,875	27,375	1,578,914	141,765	16,632	25,317	7,470	2,795,348
Exchange differences	(71,962)	(362)	(128,907)	(9,037)	(1,038)	(2,127)	(704)	(214,137)
Charge for the year	78,553	8,811	85,374	5,775	251	-	2,012	180,776
Disposals/write off	(96,376)	-	(61,470)	(1,060)	(2,859)	-	-	(161,765)
At 31 December 2022	908,090	35,824	1,473,911	137,443	12,986	23,190	8,778	2,600,222
CARRYING VALUE								
At 31 December 2022	1,489,650	18,202	698,626	31,847	4,571	17,284	4,399	2,264,579

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. 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) The Group as lessee

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

	Leased properties HK\$'000	
As at 31 December 2023		
Carrying amount		11,373
As at 31 December 2022		
Carrying amount		18,202
For the year ended 31 December 2023		
Depreciation charged		7,176
For the year ended 31 December 2022		
Depreciation charged		8,811
	2023	2022
	HK\$'000	HK\$'000
Total cash outflows for leases	36,279	38,291
Additions to right-of-use-assets	454	14,593

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 (2022: 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 2023, included in the leased properties of property, plant and equipment are (i) offices of HK\$4,271,000 (2022: HK\$11,546,000); and (ii) warehouses of HK\$7,102,000 (2022: HK\$6,656,000).

In addition, lease liabilities of HK\$454,000 (2022: HK\$14,593,000) are recognised with related right-of-use assets of HK\$454,000 (2022: HK\$14,593,000) during the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of right-of-use assets and lease liabilities were HK\$11,373,000 (2022: HK\$18,202,000) and HK\$10,546,000 (2022: HK\$18,576,000), 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.

Notes to the Consolidated Financial Statements

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

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 31 December 2023			
Carrying amount	260,429	212,865	473,294
As at 31 December 2022			
Carrying amount	260,726	229,692	490,418
For the year ended 31 December 2023			
Depreciation charged	297	5,541	5,838
For the year ended 31 December 2022			
Depreciation charged	298	11,961	12,259

15. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2022	242,054
Decrease in fair value recognised in profit or loss (Note 6)	(3,260)
Exchange differences	(20,205)
At 31 December 2022	218,589
Decrease in fair value recognised in profit or loss (Note 6)	(8,556)
Exchange differences	(3,079)
At 31 December 2023	206,954

Notes to the Consolidated Financial Statements

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15. INVESTMENT PROPERTIES (Continued)

notes:

- The investment properties represent land and buildings in the PRC.
- 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.
- The fair values as at 31 December 2023 and 2022 have been arrived at based on a valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional 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.
- In estimating the fair value of the properties, the highest and best use of the properties is their current use.
- Following are the key inputs used in valuing the investment properties:

Description	Fair value hierarchy	Fair value at 31 December		Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
		2023 HK\$'000	2022 HK\$'000				
Property 1 in Tianjin	Level 3	94,150	100,784	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	5% – 5.5%; 331.07 and 7,173 (2022: 5% – 5.5%; 331.07 and 7,783)	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	57,175	61,702	Market comparable approach	Selling price per square meter in RMB	5,455 – 6,000 (2022: 5,400 – 7,278)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	55,629	56,103	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	5% – 5.5%; 246.98 and 3,396 (2022: 5% – 5.5%; 246.98 and 3,346)	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
		206,954	218,589				

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

Notes to the Consolidated Financial Statements

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16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2023 HK\$'000	2022 HK\$'000
The Group's interests in associates and joint venture		
– Listed shares in Hong Kong		
– Tianjin Port	3,686,381	3,609,172
– Unlisted shares in the PRC		
– Otis China	1,016,817	980,014
– Research Institute	643,059	722,280
– TEDA Power	1,393,252	1,350,016
– Others	87,213	81,816
	6,826,722	6,743,298
Market value of listed shares		
– Tianjin Port	601,329	737,113

Share of associates' and joint venture's taxation for the year ended 31 December 2023 of HK\$163,941,000 (2022: HK\$189,028,000) is included in the consolidated statement of profit or loss as share of net profit of associates and joint venture 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 years. Particulars regarding impairment testing on an investment accounted for using the equity method is disclosed in Note 20(a).

Details of principal associates which in the opinion of the directors of the Company materially affect the results and/or net assets of the Group as at 31 December 2023 are set out in Note 47.

Summarised financial information of material associates

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

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

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000						
Current assets	8,795,032	10,244,863	15,284,285	15,755,100	872,699	1,138,328	2,517,995	2,293,017
Non-current assets	31,826,980	31,927,190	3,840,769	3,924,931	2,355,101	2,331,253	1,592,151	1,571,240
Current liabilities	(5,587,501)	(7,787,825)	(13,828,290)	(14,530,288)	(545,033)	(654,093)	(892,013)	(742,960)
Non-current liabilities	(4,748,626)	(4,758,140)	(21,339)	(21,348)	(666,768)	(640,245)	(294,046)	(284,108)

Notes to the Consolidated Financial Statements

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16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Summarised financial information of material associates (Continued)

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	13,479,771	13,009,754	20,629,355	25,049,748	547,136	748,583	2,504,462	2,581,158
Profit (loss) for the year, attributable to owners of the associate	729,884	333,056	1,965,568	1,965,053	(198,943)	(217,394)	133,840	127,005
Other comprehensive (expense) income for the year, attributable to owners of the associate	(224,313)	(1,263,282)	(73,201)	(446,015)	6,217	(191,593)	(46,942)	(258,816)
Total comprehensive income (expenses) for the year, attributable to owners of the associate	505,571	(930,226)	1,892,367	1,519,038	(192,726)	(408,987)	86,898	(131,811)
Dividends received from associates during the year	28,964	77,461	341,911	322,348	-	-	-	13,848

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	At	At	At	At	At	At	At
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity attributable to owners of the associate	13,612,105	13,244,458	5,065,296	4,882,484	1,879,611	2,072,337	2,924,087	2,837,189
Proportion of the Group's ownership interest in the associate	2,858,542	2,781,336	1,013,059	976,497	657,864	725,318	1,376,953	1,336,033
Goodwill	820,729	820,729	-	-	-	-	-	-
Other adjustments	7,110	7,107	3,758	3,517	(14,805)	(3,038)	16,299	13,983
Carrying amount of the Group's interest in the associate	3,686,381	3,609,172	1,016,817	980,014	643,059	722,280	1,393,252	1,350,016

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For The Year Ended 31 December 2023

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
The Group's share of profit	12,605	10,329
The Group's share of other comprehensive expenses	(1,219)	(7,376)
The Group's share of total comprehensive income	11,386	2,953
Aggregate carrying amount of the Group's interests in these investments	87,213	81,816
Dividends received from associates and joint venture	5,989	7,841

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 the year is as follow:

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
The unrecognised owner's share of loss of an investment accounted for using the equity method	(8,643)	(4,995)
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	(13,638)	(4,995)

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17. INTANGIBLE ASSETS

	Patents HK\$'000 (note)
COST	
At 1 January 2022	118,975
Exchange differences	(17,385)
At 31 December 2022	101,590
Exchange differences	(1,458)
At 31 December 2023	100,132
AMORTISATION AND IMPAIRMENT	
At 1 January 2022	117,527
Exchange differences	(17,273)
Charge for the year	255
At 31 December 2022	100,509
Exchange differences	(1,445)
Charge for the year	243
At 31 December 2023	99,307
CARRYING VALUE	
At 31 December 2023	825
At 31 December 2022	1,081

note: 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.

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

Patents 10 to 11 years

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For The Year Ended 31 December 2023

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ASSET CLASSIFIED AS HELD FOR SALE

	notes	2023 HK\$'000	2022 HK\$'000
Equity securities			
Listed, at market value	(i)	99,952	105,322
Unlisted	(ii)	1,619,566	1,176,459
		1,719,518	1,281,781
			HK\$'000
At 1 January 2022			1,859,691
Exchange differences			(131,919)
Change in fair value			(445,991)
At 31 December 2022			1,281,781
Exchange differences			(20,879)
Change in fair value			555,552
Classified as asset held for sale (note (iii))			(96,936)
At 31 December 2023			1,719,518

notes:

- (i) The listed securities mainly represent the Group's 4.07% (2022: 4.07%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.
- As at 31 December 2023, the market value of the Group's equity interest in Binhai Investment was HK\$79,331,000 (2022: HK\$86,493,000) and the unrealised fair value loss of HK\$7,162,000 (2022: HK\$550,000) was recognised in other comprehensive income.
- (ii) The unlisted equity securities mainly represented the Group's 12.15% (2022: 12.15%) equity interest in Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) ("**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 products 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 FVTOCI and details of fair value measurements are disclosed in Note 43.
- (iii) During the year ended 31 December 2023, Lisheng Pharmaceutical entered into an equity transfer agreement with Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) ("**Tianjin Pharmaceutical Da Ren Tang**"), pursuant to which, Lisheng Pharmaceutical agreed to sell and Tianjin Pharmaceutical Da Ren Tang agreed to acquire the entire 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) held by Lisheng Pharmaceutical, subject to the terms and conditions of the equity transfer agreement at a consideration of RMB87,824,000 (equivalent to approximately HK\$96,936,000) ("**the Transaction**"). The Transaction was not completed as of 31 December 2023, accordingly, such equity investment is classified as asset held for sale as at 31 December 2023.

19. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for machinery. The terms of finance leases entered into usually for 3 years (2022: 3 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

The majority of lease contracts are with guaranteed residual values. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

As at 31 December 2023, finance lease receivables amounted to HK\$123,469,000 (2022: HK\$127,248,000), net of allowance for credit losses of HK\$2,248,000 (2022: HK\$300,000).

	Minimum lease payments 2023 HK\$'000	Present value of minimum lease payments 2023 HK\$'000	Minimum lease payments 2022 HK\$'000	Present value of minimum lease payments 2022 HK\$'000
Finance lease receivables comprise:				
Within one year	109,034	108,401	–	–
More than one year but not more than two years	16,445	15,068	118,602	111,802
More than two years	–	–	17,696	15,446
Gross investment in the lease	125,479	123,469	136,298	127,248
Less: unearned finance income	(2,010)	–	(9,050)	–
Present value of minimum lease payment receivables	123,469	123,469	127,248	127,248
Analysed as:				
Current		108,401		–
Non-current		15,068		127,248
		123,469		127,248

Interest rates implicit in the above finance leases ranging from 5.4% to 5.5% per annum (2022: from 5.4% to 5.5%) per annum.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currency of the group entity.

Details of impairment assessment are set out in Note 43.

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20. IMPAIRMENT TESTING ON CERTAIN PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND AN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

- (a) Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK\$601,329,000 (2022: HK\$737,113,000) 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 2023, the recoverable amount of the interest in Tianjin Port, 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 rate and expected dividend income. The cash flows of the expected dividend income are extrapolated using a steady 4.1% (2022: 3.7%) per annum growth rate with a discount rate of 5.5% (2022: 5.1%) per annum. 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.

The management of the Group did not consider necessary to recognise further impairment loss on the interest in Tianjin Port based on the aforesaid assessment for both years.

- (b) As at 31 December 2023, the management of the Group conducted an impairment assessment on the non-current assets (including property, plant and equipment and land use rights) of 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) ("Tianfa Equipment") in the electrical and mechanical segment. As at 31 December 2023, the carrying amounts of the property, plant and equipment and land use rights of Tianfa Equipment are HK\$268,635,000 and HK\$59,219,000, respectively.

The estimated recoverable amounts of the non-current assets of Tianfa Equipment are measured at fair value less cost of disposal which is mainly based on the valuation of the building and land under Level 3 hierarchy using replacement cost approach by management of the Group. As at 31 December 2023, the estimated recoverable amounts are higher than the carrying amounts of these non-current assets, no further impairment was made.

21. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	90,063	106,618
Work in progress	101,169	87,677
Finished goods	123,835	142,617
Consumable stocks	3,623	3,353
	318,690	340,265

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22. AMOUNTS DUE FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD/ULTIMATE HOLDING COMPANY

	2023 HK\$'000	2022 HK\$'000	At 1 January 2022 HK\$'000	Maximum amount outstanding during the year	
				2023 HK\$'000	2022 HK\$'000
Amounts due from investments accounted for using the equity method	13,213	13,425	14,602	13,425	14,602
Amounts due from ultimate holding company	305	1,131	181	1,131	1,131

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

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2023 HK\$'000	2022 HK\$'000	At 1 January 2022 HK\$'000	Maximum amount outstanding during the year	
				2023 HK\$'000	2022 HK\$'000
Amounts due from related companies	88,039	62,879	197,433	88,039	197,433
Amounts due to related companies	183,024	204,814			

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

24. CONTRACT ASSETS

	2023 HK\$'000	2022 HK\$'000
Machinery construction contracts	107,092	114,250

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24. CONTRACT ASSETS (Continued)

As at 1 January 2022, contract assets amounted to HK\$66,760,000.

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 a retention sum for 5% to 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 2023, included in contract assets are retentions of HK\$14,251,000 (2022: HK\$22,460,000) 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.

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25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	notes	2023 HK\$'000	2022 HK\$'000
Trade receivables			
Trade receivables – exposure at default	(a), (b)	1,142,345	1,105,951
Trade receivables – gross		1,142,345	1,105,951
Less: allowance for credit losses	(b)	(102,434)	(127,788)
Trade receivables – net		1,039,911	978,163
Trade receivables backed by notes	(d)	350,192	393,811
	(c)	1,390,103	1,371,974
Other receivables, deposits and prepayments		328,706	192,012

As at 1 January 2022, trade receivables (net of allowance) (including those backed by notes) from contracts with customers amounted to HK\$1,123,831,000.

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 (excluding those backed by notes) 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 relevant bureaus of TEDA from time to time. Continuous settlements have been received by the Group over the years and the balance of which as at 31 December 2023 was HK\$855,398,000 (2022: HK\$760,561,000).

- (b) As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK\$776,181,000 (2022: HK\$477,203,000) (excluding those backed by notes) which are past due as at the reporting date. Out of the past due balances, HK\$722,588,000 (2022: HK\$431,143,000) (excluding those backed by notes) has been past due 90 days or more and is not considered by the management of the Group as in default having considered the subsequent and historical repayment from these 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 2023 and 2022 are set out in Note 43(b).

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25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

notes: (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	395,361	612,401
31 to 90 days	122,405	137,795
91 to 180 days	142,783	187,714
181 to 365 days	227,110	280,436
Over 1 year	502,444	153,628
	1,390,103	1,371,974

(d) As at 31 December 2023, total trade receivables backed by notes amounting to HK\$350,192,000 (2022: HK\$393,811,000) are with maturity period of less than one year.

As at 31 December 2023, trade receivables backed by notes with an aggregate carrying amount of HK\$59,190,000 (2022: HK\$113,867,000) 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 and payables.

(e) The carrying amounts of trade and other receivables 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.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Investments held for trading:		
Listed shares in Hong Kong	8,394	6,830
Listed shares in the PRC	–	12,015
Listed funds in the PRC	22,575	23,903
Unlisted funds in the PRC	169,981	113,523
Unlisted trust funds in the PRC	197,081	331,288
	398,031	487,559
Market values of listed shares	8,394	18,845
Market values of listed funds	22,575	23,903
Analysed as:		
Current	364,998	487,559
Non-current	33,033	–
	398,031	487,559

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

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

The fair values of all listed shares 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 redemption values quoted by the relevant investment trust or securities companies. Details of fair value measurement are referred to Note 43.

27. STRUCTURED DEPOSITS

As at 31 December 2023, the Group placed with four licensed commercial banks in the PRC for principal-protected structured deposits denominated in Renminbi with maturity of 1 to 3 months after the end of the reporting period. The expected annual interest rate for structured deposits was indicated at 1.3% to 3.3% per annum, however, the actual interest rate to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss.

28. ENTRUSTED DEPOSITS

As at 31 December 2023, the entrusted deposits denominated in Renminbi were placed with three financial institutions (2022: three financial institutions) in the PRC, with maturity from 6 to 12 months (2022: from 1 to 6 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 4.0% to 7.3% (2022: from 6.0% to 7.3%) per annum.

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

	2023 HK\$'000	2022 HK\$'000
Cash at banks and in hand	3,191,693	2,707,333
Time deposits with maturity less than three months	1,260,502	936,024
Balances with other financial institutions	8,894	18,093
Cash and cash equivalents	4,461,089	3,661,450
Time deposits with maturity over three months	1,926,784	2,498,153
Restricted bank balances (note)	216,868	178,853
	6,604,741	6,338,456

note: The restricted bank balances are pledged against the notes payable.

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.

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30. SHARE CAPITAL

	Number of shares thousand	Value HK\$'000
Issued and fully paid ordinary shares with no par value: At 1 January 2022, 31 December 2022 and 2023	1,072,770	5,136,285

31. RESERVES

	Capital reserve HK\$'000	General reserve HK\$'000 note (i)	Statutory reserves HK\$'000 note (i)	Share- based payment 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 2022	16,411	25,670	767,201	976	(1,531,646)	1,059,876	493,448	831,936	6,930,472	7,762,408
Profit for the year	-	-	-	-	-	-	-	-	358,162	358,162
Other comprehensive expenses for the year	-	-	-	-	-	(1,029,572)	(137,174)	(1,166,746)	-	(1,166,746)
Dividends (Note 11)	-	-	-	-	-	-	-	-	(96,013)	(96,013)
Transfer between reserves	939	308	15,312	-	-	-	-	16,559	(16,559)	-
Others	-	1,109	-	-	20,781	-	-	21,890	-	21,890
At 31 December 2022	17,350	27,087	782,513	976	(1,510,865)	30,304	356,274	(296,361)	7,176,062	6,879,701
Profit for the year	-	-	-	-	-	-	-	-	635,634	635,634
Other comprehensive (expenses) income for the year	-	-	-	-	-	(170,193)	147,815	(22,378)	-	(22,378)
Dividends (Note 11)	-	-	-	-	-	-	-	-	(96,013)	(96,013)
Transfer between reserves	53	337	55,333	-	-	-	-	55,723	(55,723)	-
Others	-	1,562	-	-	-	-	-	1,562	-	1,562
At 31 December 2023	17,403	28,986	837,846	976	(1,510,865)	(139,889)	504,089	(261,454)	7,659,960	7,398,506

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 (a) reserves arising from reorganisation in prior years; (b) the merger reserve arising from acquisition of Thrive Leap Limited ("**Thrive Leap**") in 2015, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap; and (c) reserve arising from assets restructuring of Tianjin Port in 2017; and (d) reserve arising from capital contribution from non-controlling interest of Tianjin Port in 2022.
- (iii) The FVTOCI reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI that have been recognised in other comprehensive income.
- (iv) Retained earnings arising from investments accounted for using the equity method amounted to HK\$1,905,187,000 (2022: HK\$1,729,662,000).

32. RESTRICTED SHARES INCENTIVE SCHEME OF A SUBSIDIARY

Lisheng Pharmaceutical implemented a restricted shares incentive scheme (the “**Incentive Scheme**”) which was approved and adopted by the shareholders of Lisheng Pharmaceutical on 5 December 2022 and is valid and effective for a period of 10 years commencing from 5 December 2022. Lisheng Pharmaceutical operates the Incentive Scheme for the purpose of providing it with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to the participants.

The total number of restricted shares which may be granted under the Incentive Scheme shall not in aggregate exceed 1% of the total number of shares of Lisheng Pharmaceutical in issue as at the date of approval of the Incentive Scheme, i.e. 1,824,549 restricted shares. On 9 December 2022, total of 1,538,000 restricted shares were granted to 81 eligible employees at RMB13.66 per share (equivalent to approximately HK\$15.30 per share), which accounted for 0.84% of the 2022 total number of shares of Lisheng Pharmaceutical in issue. On 27 September 2023, total of 284,000 restricted shares were further granted to 17 eligible employees at RMB12.49 per share (equivalent to approximately HK\$13.88 per share), which accounted for 0.15% of the 2023 total numbers of shares of Lisheng Pharmaceutical in issue.

According to the Incentive Scheme, 33%, 33% and 34% of the shares would be vested over a requisite service period of one year commencing from the first trading day of the third year, the fourth year and the fifth year respectively after the date of registration of shares, subject to the performance targets of Lisheng Pharmaceutical and the eligible employees. If the vesting conditions are not met upon the expiry of the vesting period, Lisheng Pharmaceutical would repurchase the restricted shares from the eligible employees at original grant price and cancelled the restricted shares.

During the year ended 31 December 2023, the cash proceeds received from the Incentive Scheme amounting to RMB3,547,000 (equivalent to approximately HK\$3,941,000) (2022: RMB21,009,000, equivalent to approximately HK\$23,526,000) is included in other payables as Lisheng Pharmaceutical has obligation to repurchase the restricted shares if the vesting conditions are not met.

The fair value of the restricted shares granted by Lisheng Pharmaceutical determined at the date of grant was RMB37,650,000 (equivalent to approximately HK\$42,161,000), which is determined using the fair value of the underlying share price on the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share-based payment reserve.

During the years ended 31 December 2022 and 2023, no restricted shares have been vested.

The Group recognised share-based payment expense of HK\$6,908,000 (2022: HK\$583,000) for the year ended 31 December 2023 in relation to the Incentive Scheme.

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33. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured bank borrowings	1,810,630	1,564,639
Analysed as:		
Current	100,000	–
Non-current	1,710,630	1,564,639
	1,810,630	1,564,639

notes:

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

	2023 HK\$'000	2022 HK\$'000
Bank borrowings:		
Within one year	100,000	–
More than one year but not more than two years	1,710,630	–
More than two years but not more than five years	–	1,564,639
	1,810,630	1,564,639

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

	2023 %	2022 %
Variable-rate bank borrowings	5.88	3.77

(c) The carrying amounts of bank borrowings approximate their fair values and are denominated in Hong Kong dollar.

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34. DEFERRED TAXATION

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	88,387	80,845
Deferred tax liabilities	(236,233)	(158,992)
Deferred tax liabilities, net	(147,846)	(78,147)

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\$1,500,697,000 (2022: HK\$1,451,338,000) 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 instruments at fair value through other comprehensive income HK\$'000	Total HK\$'000
At 1 January 2022	(18,272)	(15,090)	22,416	58,140	(5,396)	(222,123)	(180,325)
Deferred tax (charged) credited to profit or loss	(2,519)	1,134	11,513	9,723	1,138	-	20,989
Deferred tax credited to other comprehensive income	-	-	-	-	-	66,485	66,485
Exchange differences	96	749	(2,320)	(355)	409	16,125	14,704
At 31 December 2022	(20,695)	(13,207)	31,609	67,508	(3,849)	(139,513)	(78,147)
Deferred tax credited to profit or loss	101	2,223	3,726	4,634	1,087	-	11,771
Deferred tax charged to other comprehensive income	-	-	-	-	-	(83,462)	(83,462)
Exchange differences	34	175	(479)	(187)	47	2,402	1,992
At 31 December 2023	(20,560)	(10,809)	34,856	71,955	(2,715)	(220,573)	(147,846)

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35. TRADE PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	437,401	787,335
Trade payables under supplier finance arrangements (note)	80,997	55,559
	518,398	842,894

note: These relate to trade payables in which the Group has issued notes to the relevant suppliers for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the notes, under the same conditions as agreed with the suppliers without further extension.

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	202,098	293,849
31 to 90 days	70,053	218,562
91 to 180 days	77,495	131,051
Over 180 days	168,752	199,432
	518,398	842,894

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

36. OTHER PAYABLES AND ACCRUALS

	2023 HK\$'000	2022 HK\$'000
Accruals	678,415	683,914
Other payables	616,450	537,642
	1,294,865	1,221,556

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For the year ended 31 December 2023

37. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Provision of utilities and other related supporting facilities	589,540	688,136
Machinery construction contracts	24,885	19,238
Sale of pharmaceutical products	16,528	34,514
Others	1,491	685
	632,444	742,573

As at 1 January 2022, contract liabilities amounted to HK\$897,184,000.

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	
	2023	2022	2023	2022	2023	2022
	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	249,556	219,066	8,291	102,258	34,514	12,978

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 2023, included in the contract liabilities are receipt in advance of HK\$589,540,000 (2022: HK\$688,136,000) from provision of utilities and other related supporting facilities. 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

37. CONTRACT LIABILITIES (Continued)

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.

38. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Within one year	5,527	8,319
Within a period of more than one year but not more than two years	2,508	5,372
Within a period of more than two years but not more than five years	2,511	3,584
Within a period of more than five years	–	1,301
	10,546	18,576
Less: Amount due for settlement with 12 months shown under current liabilities	(5,527)	(8,319)
Amount due for settlement after 12 months shown under non-current liabilities	5,019	10,257

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% (2022: 4.35%) per annum.

Notes to the Consolidated Financial Statements

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39. OPERATING LEASES

The Group as lessors

As at 31 December 2023, all of the properties held for rental purposes have committed lessees for the next 1 to 5 years (2022: 1 to 6 years).

Undiscounted lease payments receivables on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	5,394	5,609
In the second year	5,126	5,609
In the third year	5,126	5,200
In the fourth year	5,126	5,200
In the fifth year	2,136	5,200
After five years	–	5,200
	22,908	32,018

40. CAPITAL COMMITMENTS

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for in respect of – Additions to property, plant and equipment	59,579	104,684

41. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances of HK\$216,868,000 (2022: HK\$178,853,000) were pledged to financial institutions by the Group to secure general banking facilities.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2023 HK\$'000	2022 HK\$'000
Profit before tax	1,082,521	554,043
Adjustments for:		
Share of net profit of associates and joint venture accounted for using the equity method	(552,389)	(457,000)
Finance costs	107,352	82,495
Finance lease interest income	(6,177)	(7,968)
Interest income	(255,332)	(254,259)
Depreciation	203,526	193,035
Amortisation	243	255
(Reversal of) allowance for impairment losses:		
– trade receivables	(23,683)	2,014
– contract assets	(7,561)	(21,747)
– other receivables	(916)	7,265
– finance lease receivables	1,966	(504)
Net exchange losses	17,778	65,044
Dividend income from equity instruments at FVTOCI	(6,860)	(21,125)
Net (gains) losses on disposal/written off of property, plant and equipment	(249,703)	40,411
Unrealised (gains) losses on financial assets at fair value through profit or loss	(17,646)	62,895
Share-based payment expenses	6,908	583
Decrease in fair value of investment properties	8,556	3,260
Operating cash flows before movements in working capital	308,583	248,697
Changes in working capital:		
Inventories	16,804	69,398
Finance lease receivables	6,177	84,985
Trade receivables	(14,385)	(358,167)
Other receivables, deposits and prepayments	(143,472)	89,643
Financial assets at fair value through profit or loss	100,729	(185,448)
Trade payables	(314,484)	333,629
Other payables and accruals	87,501	5,529
Amounts due from/to related companies	(44,387)	174,668
Contract assets	13,116	(33,452)
Contract liabilities	(100,137)	(82,397)
Cash (used in) generated from operations	(83,955)	347,085

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT

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

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets mandatorily required to be measured at FVTPL		
– Held-for-trading	398,031	487,559
– Others	1,237,513	1,133,865
	1,635,544	1,621,424
Financial assets at amortised cost	8,420,003	7,975,581
Equity instruments designated at FVTOCI	1,719,518	1,281,781
Financial liabilities		
Amortised cost	2,915,119	3,023,764

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 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 FVTPL 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 and foreign currency investments in funds, 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 2023, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2022: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK\$54,406,000 (2022: HK\$27,054,000) as a result of the translation of the Non-Functional Currency Items. The sensitivity analysis includes only external outstanding relevant foreign currency denominated monetary items, and except for US\$ as the directors of the Company consider that the Group's exposure to US\$ is insignificant on the ground that HK\$ is pegged to US\$.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

43. 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 FVTOCI and financial assets at FVTPL specified in Notes 18 and 26, 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% (2022: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK\$29,924,000 (2022: HK\$36,625,000) and HK\$129,638,000 (2022: HK\$96,869,000), respectively.

(iii) Interest rate risk

Other than the structured deposits, entrusted deposits and bank balances and deposits specified in Notes 27, 28 and 29 respectively, the Group has no other significant assets bearing interest.

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

The Group's interest rate risk is mainly arising from bank borrowings (the "Interest Bearing Liabilities") set out in Note 33. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. 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 bank borrowings at variable rates of HK\$1,810,630,000 (2022: HK\$1,564,639,000).

If interest rates had been 50 basis points (2022: 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 2023 would decrease/increase by HK\$7,559,000 (2022: HK\$6,532,000).

If interest rates had been 25 basis points (2022: 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\$1,626,000 (2022: HK\$2,002,000); if interest rates had been 25 basis points (2022: 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\$11,457,000 (2022: HK\$12,193,000).

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

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit and counterparty risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to amounts due from investments accounted for using the equity method, amount due from ultimate holding company, amounts due from related companies, contract assets, finance lease receivables, trade and other receivables, restricted bank balances, time deposits with maturity over three months and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets, except that the credit risks associated with finance lease receivables is mitigated because they are secured over machinery leased and settlement of certain trade receivables are backed by notes issued by reputable financial institutions.

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 ECL model on balances of trade receivables (excluding those backed by notes) and contract assets collectively based on provision matrix. Besides, a significant portion of the Group's trade receivables backed by notes are arranged with state-owned banks in the PRC. The credit risks on these notes are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Finance lease receivables, other receivables and amounts due from investments accounted for using the equity method/ultimate holding company/related companies

The Group assessed the ECL for its finance lease receivables, 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 of the Company, have no significant increase in credit risk since initial recognition. ECL 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. As at 31 December 2023, the amounts of impairment losses made for these balances were insignificant and reversal of impairment losses of HK\$916,000 (2022: allowance of impairment losses of HK\$7,265,000) on other receivables was recognised.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Restricted bank balances, time deposits with maturity over three months and bank balances

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and contract assets which are subject to ECL assessment:

2023	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	22	N/A	(note (i))	12-month ECL	13,213
Amount due from ultimate holding company	22	N/A	(note (i))	12-month ECL	305
Amounts due from related companies	23	N/A	(note (i))	12-month ECL	88,039
Restricted bank balances	29	AA+ to AAA	N/A	12-month ECL	216,868
Time deposits with maturity over three months	29	AA+ to AAA	N/A	12-month ECL	1,926,784
Bank balances	29	AA+ to AAA	N/A	12-month ECL	4,461,089
Finance lease receivables	19	N/A	(note (i))	12-month ECL	125,717
Other receivables	25	N/A	(note (i))	12-month ECL	200,133
Trade receivables backed by notes	25	AA to AAA	N/A	12-month ECL	350,192
Trade receivables excluding those backed by notes	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	1,043,440
				Lifetime ECL – Credit-impaired	98,905
Other item					
Contract assets	24	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	109,556
				Lifetime ECL – Credit-impaired	40,385

Notes to the Consolidated Financial Statements

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43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

2022	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	22	N/A	(note (i))	12-month ECL	13,425
Amount due from ultimate holding company	22	N/A	(note (i))	12-month ECL	1,131
Amounts due from related companies	23	N/A	(note (i))	12-month ECL	62,879
Restricted bank balances	29	AA+ to AAA	N/A	12-month ECL	178,853
Time deposits with maturity over three months	29	AA+ to AAA	N/A	12-month ECL	2,498,153
Bank balances	29	AA+ to AAA	N/A	12-month ECL	3,661,450
Finance lease receivables	19	N/A	(note (i))	12-month ECL	127,548
Other receivables	25	N/A	(note (i))	12-month ECL	60,468
Trade receivables backed by notes	25	A to AAA	N/A	12-month ECL	393,811
Trade receivables excluding those backed by notes	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	981,132 124,819
Other item					
Contract assets	24	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	115,484 49,860

notes:

- (i) 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 2023 and 2022, the Group considers that the ECL for these balances are not significant since these balances are either not past due or without fixed repayment terms.
- (ii) For trade receivables (excluding those backed by notes) and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

As part of the Group's credit risk management, the Group uses provision matrix to calculate ECL for trade receivables (excluding those backed by notes) 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 that is reasonable and supportable without undue costs or effort. The following table provides information about the exposure to credit risk for trade receivables (excluding those backed by notes) and contract assets which are assessed based on provision matrix as at 31 December 2023 within lifetime ECL (not credit-impaired). Debtors of trade receivables (excluding those backed by notes) and contract assets are credit-impaired with gross carrying amounts of HK\$139,290,000 (2022: HK\$174,679,000) as at 31 December 2023 were assessed individually. No debtors with significant long outstanding balances are noted as at 31 December 2023 and 2022.

Gross carrying amount

At 31 December 2023	Average loss rate	Trade receivables	Contract assets
		(excluding those backed by notes) HK\$'000	
Operating segment			
Utilities – water, and heat and thermal power	0.12% – 0.18%	932,648	–
Pharmaceutical	1.79% – 2.35%	64,211	–
Hotel	2.72% – 4.22%	5,776	–
Electrical and mechanical	2.35%	40,805	109,556
		1,043,440	109,556
At 31 December 2022	Average loss rate	Trade receivables (excluding those backed by notes) HK\$'000	Contract assets HK\$'000
Operating segment			
Utilities – water, and heat and thermal power	0.02% – 0.04%	827,340	–
Pharmaceutical	0.60% – 3.10%	136,686	–
Hotel	6.78%	3,880	–
Electrical and mechanical	0.02% – 6.09%	13,226	115,484
		981,132	115,484

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

Notes to the Consolidated Financial Statements

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43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Gross carrying amount (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables (excluding those backed by notes) under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2022	2,403	134,976	137,379
– Impairment losses recognised	610	1,404	2,014
– Exchange adjustments	(44)	(11,561)	(11,605)
As at 31 December 2022	2,969	124,819	127,788
– Impairment losses recognised (reversed)	603	(24,286)	(23,683)
– Exchange adjustments	(43)	(1,628)	(1,671)
As at 31 December 2023	3,529	98,905	102,434

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Gross carrying amount (Continued)

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 2022	662	77,954	78,616
– Impairment losses recognised (reversed)	653	(22,400)	(21,747)
– Exchange adjustments	(82)	(5,693)	(5,775)
As at 31 December 2022	1,233	49,861	51,094
– Impairment losses recognised (reversed)	1,257	(8,818)	(7,561)
– Exchange adjustments	(26)	(658)	(684)
As at 31 December 2023	2,464	40,385	42,849

The Group writes off a trade receivable (excluding those backed by notes) 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 (excluding those backed by notes) 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 (excluding those backed by notes) do not exceed the recorded allowances and the directors of the Company are of the opinion that adequate ECL provision for trade receivables (excluding those backed by notes) has been made in the consolidated financial statements.

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For The Year Ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Gross carrying amount (Continued)

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 net carrying amount of the relevant trade receivables (excluding those backed by notes) and contract assets of electrical and mechanical business that are subject to credit risk amounting to HK\$39,844,000 and HK\$107,092,000, respectively (2022: HK\$13,076,000 and HK\$105,348,000, respectively) as at 31 December 2023. The directors of the Company are of the opinion that adequate ECL provision for uncollectible trade receivables (excluding those backed by notes) and contract assets have been made in the consolidated financial statements.

As at 31 December 2023, 67% (2022: 67%) of the Group's financial assets were bank deposits, structured deposits and entrusted deposits (2022: bank deposits and entrusted deposits), which were placed with state-owned banks, licensed commercial banks and other financial institutions in the PRC. For utilities business, except for an amount of HK\$855,398,000 (2022: HK\$760,561,000), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2023 and 2022, 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.

(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 2023, the Group had cash and cash equivalents of approximately HK\$4,461,089,000 (2022: HK\$3,661,450,000), bank borrowings of approximately HK\$1,810,630,000 (2022: HK\$1,564,639,000) and lease liabilities of approximately HK\$10,546,000 (2022: HK\$18,576,000), respectively.

Notes to the Consolidated Financial Statements

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43. 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 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 December 2023						
Bank borrowings	209,867	1,808,171	-	-	2,018,038	1,810,630
Amounts due to related companies	183,024	-	-	-	183,024	183,024
Trade payables and other payables	921,465	-	-	-	921,465	921,465
	1,314,356	1,808,171	-	-	3,122,527	2,915,119
Lease liabilities	5,607	1,333	3,999	-	10,939	10,546
At 31 December 2022						
Bank borrowings	59,063	59,063	1,620,304	-	1,738,430	1,564,639
Amounts due to related companies	204,814	-	-	-	204,814	204,814
Trade payables and other payables	1,254,311	-	-	-	1,254,311	1,254,311
	1,518,188	59,063	1,620,304	-	3,197,555	3,023,764
Lease liabilities	8,277	5,284	4,032	1,344	18,937	18,576

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%.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

43. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Total cash and bank deposits	6,604,741	6,338,456
Less: bank borrowings	(1,810,630)	(1,564,639)
Less: lease liabilities	(10,546)	(18,576)
Net cash	4,783,565	4,755,241
Shareholders' funds	12,534,791	12,015,986
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).

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.

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For the year ended 31 December 2023

43. 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

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		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2023 HK\$'000	31 December 2022 HK\$'000				
Equity instruments at fair value through other comprehensive income						
– listed equity securities	99,952	105,322	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted equity securities – a private company in the PRC	1,587,116	1,072,316	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 1.15% (2022: 1.33%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
– other unlisted equity securities	32,450	104,143	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 4.5% – 9.7% (2022: 10.0% – 18.5%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	1,719,518	1,281,781				
Financial assets at fair value through profit or loss						
– listed equity securities	8,394	18,845	Level 1	Quoted bid price in active markets	N/A	N/A
– listed funds	22,575	23,903	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted funds	169,981	113,523	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	197,081	331,288	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	154,919	–	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
– entrusted deposits	1,082,594	1,133,865	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	1,635,544	1,621,424				

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For The Year Ended 31 December 2023

43. 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)

notes:

- (i) As at 31 December 2023, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$15,441,000 (2022: HK\$10,728,000) 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\$15,753,000 (2022: HK\$10,945,000).
- (ii) As at 31 December 2023, 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\$125,000 (2022: HK\$574,000).

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK\$'000
At 1 January 2022	1,751,252
Fair value change recognised as other comprehensive expenses (note)	(444,642)
Exchange differences	(130,151)
At 31 December 2022	1,176,459
Fair value change recognised as other comprehensive income (note)	560,637
Exchange differences	(20,594)
Classified as held for sale	(96,936)
At 31 December 2023	1,619,566

note: Included in other comprehensive income for the year ended 31 December 2023 is an amount of HK\$560,637,000 (2022: HK\$444,642,000) 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 "FVTOCI 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 and other receivables, finance lease receivables, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade and 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.

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44. 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 2022	13,409	–	2,302,263	2,315,672
Financing cash flows	(9,055)	(149,109)	(727,935)	(886,099)
Inception of leases	14,593	–	–	14,593
Interest expenses recognised	352	–	–	352
Dividend declared	–	149,109	–	149,109
Foreign exchange translation	(723)	–	(9,689)	(10,412)
At 31 December 2022	18,576	–	1,564,639	1,583,215
Financing cash flows	(8,670)	(144,768)	250,000	96,562
Inception of leases	454	–	–	454
Interest expenses recognised	290	–	–	290
Dividend declared	–	144,768	–	144,768
Amortisation of upfront fee	–	–	(4,009)	(4,009)
Foreign exchange translation	(104)	–	–	(104)
At 31 December 2023	10,546	–	1,810,630	1,821,176

45. 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 Group Co., Ltd. (天津市醫藥集團有限公司) (“**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. On 17 November 2021, the Master Sales Agreement is further renewed from 1 January 2022 up to 31 December 2024. As Tianjin Pharmaceutical is an associate of 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 2023, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB59,509,000 (equivalent to HK\$66,121,000) (2022: RMB57,410,000 (equivalent to HK\$66,834,000)).

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

45. RELATED PARTY TRANSACTIONS (Continued)

(a) Connected persons (Continued)

On 19 January 2021, the Company and Tianjin Pharmaceutical entered into the entrusted manufacturing and processing master agreement (“**Entrusted Processing Master Agreement**”), pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and carrying out of other related work of certain drugs under the Drug Marketing Authorisation Holder System (藥品上市許可持有人制度). The Entrusted Processing Master Agreement is for a term commencing from 19 January 2021 to 31 December 2021. On 17 November 2021, the Entrusted Processing Master Agreement is renewed from 1 January 2022 to 31 December 2024.

For the year ended 31 December 2023, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB33,840,000 (equivalent to HK\$37,600,000) (2022: RMB33,866,000 (equivalent to HK\$39,425,000)).

On 17 November 2021, the Company and Tianjin Pharmaceutical entered into the master purchase agreement (“**Master Purchase Agreement**”), pursuant to which members of the Group may purchase pharmaceutical products or raw materials according to their production needs. The Master Purchase Agreement is for a term commencing from 1 January 2022 to 31 December 2024.

For the year ended 31 December 2023, the total purchase amount by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB2,731,000 (equivalent to HK\$3,034,000) (2022: RMB1,008,000 (equivalent to HK\$1,173,000)).

On 17 November 2021, the Company and Tianjin TEDA Investment Holding Co., Ltd. (“**TEDA Holding**”) entered into a water transmission pipelines lease master agreement (the “**Water Transmission Pipelines Lease Master Agreement**”), pursuant to which TEDA Holding and its subsidiaries (the “**TEDA Holding Group**”) may lease the water transmission pipelines and the relevant ancillary facilities to members of the Group. The Water Transmission Pipelines Lease Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024.

For the year ended 31 December 2023, the total leasing amount by the Group to the TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB11,758,000 (equivalent to HK\$13,064,000) (2022: RMB11,742,000 (equivalent to HK\$13,669,000)).

On 17 November 2021, the Company and TEDA Holding entered into a heat and power networks and facilities lease master agreement (the “**Heat and Power Networks and Facilities Lease Master Agreement**”), pursuant to which members of the TEDA Holding Group may lease the heat and power networks and related facilities to members of the Group. The Heat and Power Networks and Facilities Lease Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024.

For the year ended 31 December 2023, the total leasing amount by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB9,320,000 (equivalent to HK\$10,356,000) (2022: RMB9,320,000 (equivalent to HK\$10,850,000)).

45. RELATED PARTY TRANSACTIONS (Continued)

(a) Connected persons (Continued)

On 17 November 2021, the Company and TEDA Holding entered into a steam purchase master agreement (as amended by a supplemental agreement dated 11 November 2022) (the “**Steam Purchase Master Agreement**”), pursuant to which members of the Group may purchase steam and heat power products from members of the TEDA Holding Group. The Steam Purchase Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024.

For the year ended 31 December 2023, the total purchase amount by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB947,003,000 (equivalent to HK\$1,052,226,000) (2022: RMB1,133,861,000 (equivalent to HK\$1,319,978,000)).

(b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2022: 62.81%) of the Company’s ordinary shares as at 31 December 2023. The remaining 37.19% (2022: 37.19%) of the Company’s ordinary shares are widely held.

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

For the years ended 31 December 2023 and 2022, 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.

Notes to the Consolidated Financial Statements

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45. 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 2023 set out in Notes 18, 22, 23 and 25, 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

	notes	2023 HK\$'000	2022 HK\$'000
Short-term lease expenses for plants, pipelines and networks	(ii)	23,420	24,519
Purchase of goods	(i)	10,815	10,579
Purchase of services	(i)	37,961	39,425
Purchase of steam and thermal power	(iii)	1,052,226	1,319,978
Sales of goods	(i)	142,276	147,018

notes:

- (i) 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 Notes 22 and 23.
- (ii) The amount mainly represents the leasing fees paid by the Group to Tianjin TEDA Water Industry Co. Ltd. (天津泰達水業有限公司) and Tianjin TEDA Heat & Power Energy Management Co. Ltd. (天津泰達熱電能源管理有限公司) for leasing of water transmission pipelines as well as the heat and power networks and related facilities for its utilities supply business in TEDA, respectively. Both companies are the wholly-owned subsidiaries of TEDA Holding and therefore, is a connected person of the Group.
- (iii) This mainly represents the purchase of steam and thermal power from Tianjin TEDA Energy Development Co., Ltd. (天津泰達能源發展有限責任公司) and Guohua Energy Development (Tianjin) Co., Ltd. (國華能源發展(天津)有限公司) for heat and thermal power supply business in TEDA. Both companies are the wholly-owned subsidiaries of TEDA Holding and therefore, is a connected person of the Group.

(ii) Key management compensation

	2023 HK\$'000	2022 HK\$'000
Fees	–	–
Salaries, share-based payment expense and other emoluments	3,952	5,471
Retirement benefits scheme contribution	36	36
	3,988	5,507

The emoluments of certain executive directors and senior management were borne by respective immediate shareholders for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2023 and 2022 are set out below:

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2023		Percentage		2022	
				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 Pharmaceutical") 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs	RMB184,276,992	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 Tai Kang Investment Co., Ltd. ("Tainjin Tak 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 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 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	Manufacture and sale of hydroelectric equipment and large scale pump unit	RMB838,405,377	82.74	-	100	82.74	-	100	
Benefo Financial Leasing Co., Ltd. 百利融資租賃有限公司	Operation of finance lease business	RMB200,000,000	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 富聯控股有限公司	Investment holding	HK\$15	100	-	100	100	-	100	

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46. PRINCIPAL SUBSIDIARIES (Continued)

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

⊗ As at 31 December 2023, the effective interest held by the Group and subsidiary included 0.34% and 0.51% (2022: 0.29% and 0.43%) equity interest held under treasury shares of Lisheng Pharmaceutical, respectively, for the purpose of the Incentive Scheme set out in Note 32.

Composition of the Group

At the end of the reporting period, the Company has 28 (2022: 28) 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	
		2023	2022	2023	2022	2023	2022
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tianjin Tai Kang	The PRC	17.26	17.26	71,111	76,346	755,073	714,280
Thrive Leap Group (as defined below)	Cayman Islands/Hong Kong	33	33	272,215	64,035	4,157,331	3,639,578
Other individual immaterial subsidiaries with non-controlling interests				3,577	5,611	65,733	59,436
				346,903	145,992	4,978,137	4,413,294

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

Notes to the Consolidated Financial Statements

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46. PRINCIPAL SUBSIDIARIES (Continued)

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

Tianjin Tai Kang

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
Current assets	2,637,614	2,199,535
Non-current assets	1,407,286	1,525,317
Current liabilities	(396,232)	(340,611)
Non-current liabilities	(3,623)	(7,822)
Equity attributable to owners of the Company	2,889,972	2,662,139
Non-controlling interests	755,073	714,280
	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Revenue	166,765	281,390
Share of net profit of associates and joint venture accounted for using the equity method	393,114	393,011
Profit for the year	434,030	442,327
Other comprehensive expense for the year	(57,671)	(296,202)
Total comprehensive income for the year	376,359	146,125
Profit for the year attributable to non-controlling interests	71,111	76,346
Total comprehensive income for the year attributable to non-controlling interests	59,970	18,138
Dividends paid to non-controlling interests	19,178	22,102
Net cash inflow (outflow) from operating activities	159,991	(158,536)
Net cash inflow from investing activities	524,903	492,801
Net cash outflow from financing activities	(77,423)	(420,256)
Net cash inflow (outflow)	607,471	(85,991)

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46. PRINCIPAL SUBSIDIARIES (Continued)

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

Thrive Leap Group

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
Current assets	4,092,434	3,930,275
Non-current assets	3,929,015	3,406,695
Current liabilities	(797,998)	(967,091)
Non-current liabilities	(229,605)	(147,443)
Equity attributable to owners of the Company	2,836,515	2,582,858
Non-controlling interests	4,157,331	3,639,578
	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Revenue	1,441,437	1,486,791
Share of net loss of associates and joint venture accounted for using the equity method	(57,025)	(64,405)
Profit for the year	394,992	73,956
Other comprehensive income (expense) for the year	397,702	(966,315)
Total comprehensive income (expense) for the year	792,694	(892,359)
Profit for the year attributable to non-controlling interests of Thrive Leap Group	272,215	64,035
Total comprehensive income (expense) for the year attributable to non-controlling interests	541,402	(527,080)
Dividends paid to non-controlling interests	29,577	31,268
Net cash inflow from operating activities	128,228	150,490
Net cash inflow from investing activities	41,265	146,244
Net cash outflow from financing activities	(26,969)	(9,139)
Net cash inflow	142,524	287,595

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47. PRINCIPAL ASSOCIATES

Associates

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2023		Percentage		
				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
Tianjin Institute of Pharmaceutical Research Co. Ltd. ("Research Institute") 天津藥物研究院有限公司	Investment holding and research and development of new medicine technology and new products	RMB72,881,242	23.45	-	35	23.45	-	35
Tianjin TEDA Electric Power Co., Ltd. ("TEDA Power") 天津泰達電力有限公司	Supply of electricity	RMB1,100,164,686	47.09	-	47.09	47.09	-	47.09
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 the Stock Exchange

48. LITIGATION

On 12 December 2018, Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司) ("Central Pharmaceutical"), an indirect non-wholly owned subsidiary of the Company, and a sales and marketing agent (the "Agent") entered into a sales and marketing agreement for a term of two years from 1 January 2019 to 31 December 2020 ("Two-year Agreement") and another sales and marketing agreement for a term of ten years from 1 January 2021 to 31 December 2030 ("Ten-year Agreement"). On 12 January 2021, the Agent and Central Pharmaceutical further entered into a supplemental agreement upon the expiration of Two-year Agreement ("Supplemental Agreement").

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For The Year Ended 31 December 2023

48. LITIGATION (Continued)

In July 2023, the Agent initiated civil proceeding against Central Pharmaceutical with regards to the provision of sales and marketing services at Tianjin Second Intermediate People's Court (the "**Court**") and lodged a petition for (i) cancellation of the Ten-year Agreement; (ii) payment of marketing and promotion fee of approximately RMB16.5 million; (iii) payment of performance bonus of approximately RMB1.2 million based on the Supplemental Agreement; (iv) refund of deposit for marketing of approximately RMB0.5 million; (v) refund of advance deposit of approximately RMB0.7 million; (vi) compensation for expected losses arising from the cancellation of Ten-year Agreement of approximately RMB184.2 million; and (vii) payment of the costs of litigation incidental thereof. The Agent also made an application to the Court to retain certain assets of Central Pharmaceutical and request for a claim for payment of approximately RMB203.1 million. These assets of Central Pharmaceutical included the bank deposits of approximately RMB73.0 million and both its entire equity interests in Tasly Holding and Hebei Kunlun Pharmaceutical Co., Ltd. (河北昆崙製藥有限公司), a wholly owned subsidiary of Central Pharmaceutical. On 7 August 2023, Central Pharmaceutical had lodged a petition for counterclaim for payment of approximately RMB54.1 million.

Central Pharmaceutical received the judgement of the trial of first instance (the "**First Judgement**") from the Court on 8 December 2023. According to the First Judgement, (i) the Two-year Agreement and Ten-year Agreement and Supplemental Agreement were cancelled on 26 July 2023; (ii) Central Pharmaceutical is required to refund advance deposit of approximately RMB0.6 million and pay marketing and promotion fee of approximately RMB0.4 million to the Agent within ten days from the date of First Judgement; (iii) the Agent is required to pay Central Pharmaceutical approximately RMB1.4 million for the loss of undelivered goods. All the other claims from the Agent and the other counterclaims from Central Pharmaceutical are rejected by the Court.

In late December 2023, Central Pharmaceutical received civil appeal from Higher People's Court of Tianjin where the Agent appealed to revoke the First Judgement. In the meanwhile, Central Pharmaceutical has lodged a civil petition for appeal and is pending the Higher People's Court of Tianjin hearing.

The directors of the Company, based on legal advice, considered that the outflow of economic resources for the legal proceeding will not have an adverse effect to the consolidated financial statements as a whole.

49. EVENT AFTER THE END OF REPORTING PERIOD

On 29 December 2023, the Group through Lisheng Pharmaceutical, entered into an equity acquisition agreement (the "**Agreement**") with Jiangxi Qingchun Kangyuan Group Co., Ltd., Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd. (collectively the "**Vendors**"), Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (the "**Target Company**") and Mr. Mr. Liu Musheng, the actual controller of the Vendors and the Target Company pursuant to which, Lisheng Pharmaceutical has conditionally agreed to acquire 65% equity interest in the Target Company for a total cash consideration of RMB136,991,855 (equivalent to approximately HK\$150,541,000). Upon completion of the acquisition, the Company will indirectly hold 65% equity interest in the Target Company. The Target Company is principally engaged in research and development, production and sales of proprietary Chinese medicine preparations and Chinese herbal extract, with products covering various medicine fields including digestive system, respiratory system, skeletal musculature and systemic anti-infective etc.. A deposit of RMB100,000,000 (equivalent to approximately HK\$110,375,000) was paid for acquisition of the Target Company prior to 31 December 2023. The acquisition was completed in February 2024. The Group is in the process of assessing the fair value of acquire identified assets and liabilities and not yet in a position to determine the final amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 27 March 2024.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,931	10,773
Investment properties		94,150	100,784
Interests in subsidiaries		3,587,259	3,639,481
Advances to subsidiaries		5,906,742	5,969,601
		9,592,082	9,720,639
Current assets			
Amount due from ultimate holding company		305	1,131
Other receivables, deposits and prepayments		7,414	3,542
Cash and cash equivalents		808,143	846,835
		815,862	851,508
Total assets		10,407,944	10,572,147
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves	52	1,223,183	1,417,482
Total equity		6,359,468	6,553,767

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2023

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2023 HK\$'000	2022 HK\$'000
LIABILITIES		
Non-current liabilities		
Bank borrowings	1,710,630	1,564,639
Amounts due to subsidiaries	2,187,792	2,406,573
Deferred tax liabilities	1,880	3,224
Lease liability	–	3,879
	3,900,302	3,978,315
Current liabilities		
Bank borrowings	100,000	–
Accruals	44,295	33,254
Lease liability	3,879	6,811
	148,174	40,065
Total liabilities	4,048,476	4,018,380
Total equity and liabilities	10,407,944	10,572,147
Net current assets	667,688	811,443
Total assets less current liabilities	10,259,770	10,532,082

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 27 March 2024 and are signed on its behalf by:

Teng Fei
DIRECTOR

Zhai Xinxiang
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

52. RESERVES OF THE COMPANY

	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2022	1,475,407	322,349	1,797,756
Profit for the year	–	306,107	306,107
Other comprehensive expense for the year	(590,368)	–	(590,368)
Dividends	–	(96,013)	(96,013)
At 31 December 2022	885,039	532,443	1,417,482
Loss for the year	–	(4,916)	(4,916)
Other comprehensive expense for the year	(93,370)	–	(93,370)
Dividends	–	(96,013)	(96,013)
At 31 December 2023	791,669	431,514	1,223,183

At 31 December 2023, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$431,514,000 (2022: HK\$532,443,000).

Financial Summary

	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Results					
Revenue	4,549,058	2,960,187	3,540,957	3,705,129	3,338,429
Operating profit (loss) less finance costs	207,615	(44,098)	125,341	97,043	530,132
Share of net profit of associates and joint ventures accounted for using the equity method	363,420	505,760	555,655	457,000	552,389
Profit before tax	571,035	461,662	680,996	554,043	1,082,521
Tax expense	(61,891)	(76,461)	(41,717)	(49,889)	(99,984)
Profit for the year from continuing operations	509,144	385,201	639,279	504,154	982,537
Profit for the year from electricity business	134,646	–	–	–	–
Loss for the year from presses and mechanical equipment business	–	(83,478)	(46,312)	–	–
Profit for the year	643,790	301,723	592,967	504,154	982,537
Attributable to:					
Owners of the Company	461,441	294,478	470,379	358,162	635,634
Non-controlling interests	182,349	7,245	122,588	145,992	346,903
	643,790	301,723	592,967	504,154	982,537
Dividends	86,250	83,461	88,289	96,013	96,013
Assets and liabilities					
Total assets	22,556,153	23,879,408	23,457,987	21,266,227	22,292,679
Total liabilities	6,664,341	6,838,627	5,582,329	4,836,947	4,779,751
Total equity	15,891,812	17,040,781	17,875,658	16,429,280	17,512,928

note: The results of presses and mechanical equipment business prior to 2020 have not been reclassified.