



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

Stock Code : 882

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Annual Report  
2022

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# Contents

Corporate Information	2
Business Structure	3
Financial Highlights	5
Chairman's Statement	7
Management Discussion and Analysis	9
Biographical Details of Directors and Senior Management	15
Environmental, Social and Governance Report	23
Corporate Governance Report	42
Report of the Directors	55
Independent Auditor's Report	65
Consolidated Statement of Profit or Loss	70
Consolidated Statement of Profit or Loss and Other Comprehensive Income	72
Consolidated Statement of Financial Position	73
Consolidated Statement of Changes in Equity	75
Consolidated Statement of Cash Flows	76
Notes to the Consolidated Financial Statements	77
Financial Summary	186

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Gang (*Chairman*)  
Dr. Li Xiaoguang (*General Manager*)  
Mr. Teng Fei  
(*appointed on 30 March 2023*)  
Mr. Zhuang Qifei  
(*resigned on 30 March 2023*)

### Non-Executive Directors

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

### Independent Non-Executive Directors

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

## AUTHORISED REPRESENTATIVES

Mr. Wang Gang  
Dr. Li Xiaoguang

## COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

## SOLICITOR

Woo Kwan Lee & Lo

## REGISTERED OFFICE

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

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

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
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.	34.12%	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

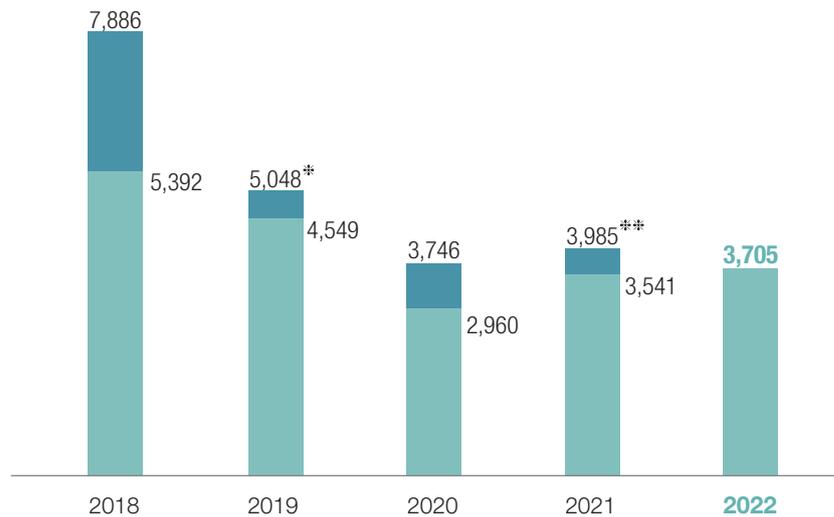
## STRATEGIC AND OTHER INVESTMENTS

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.

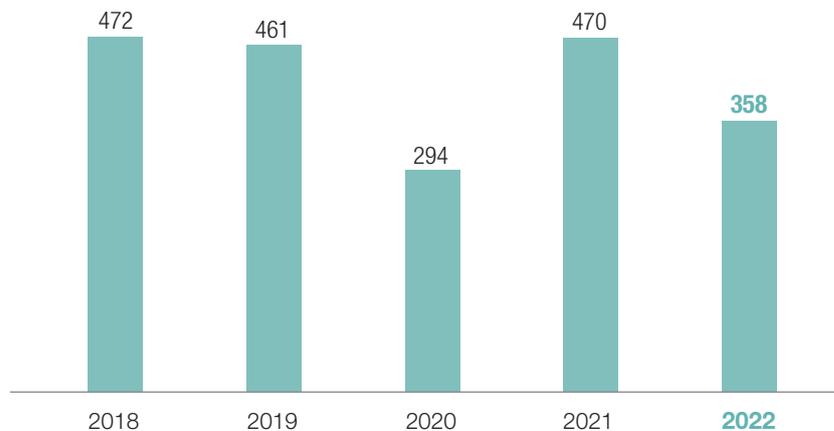
\*\* The presses and mechanical equipment business has been disposed of in September 2021 and ceased to be the subsidiaries of the Group since then.

■ 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

	2022 HK\$ million	2021 HK\$ million	Changes %
Utilities	1,859	1,654	12.4
Pharmaceutical	1,487	1,464	1.6
Hotel	78	57	36.8
Electrical and mechanical <sup>(note)</sup>	281	366	(23.2)
	<b>3,705</b>	3,541	4.6
Presses and mechanical equipment business <sup>(note)</sup>	-	444	(100)
	<b>3,705</b>	3,985	(7.0)

### Profit (Loss) Attributable to Owners of the Company

	2022 HK\$ million	2021 HK\$ million	Changes HK\$ million
Utilities	117	64	53
Pharmaceutical	14	21	(7)
Hotel	3	(9)	12
Electrical and mechanical <sup>(note)</sup>	(11)	(59)	48
Port services	70	194	(124)
Elevators and escalators	325	295	30
Corporate and others	(160)	(9)	(151)
	<b>358</b>	497	(139)
Presses and mechanical equipment business <sup>(note)</sup>	-	(27)	27
	<b>358</b>	470	(112)

note:

The presses and mechanical equipment business had been disposed of in September 2021, both revenue and loss attributable to owners of the Company in respect of presses and mechanical equipment business were separately presented from the continuing operations.

## PROFIT AND DIVIDEND FOR THE YEAR 2022

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2022 was approximately HK\$358.2 million, as compared to HK\$470.4 million of last year. The Board recommends payment of a final dividend of HK5.50 cents per share for the year ended 31 December 2022. This final dividend together with the interim dividend of HK3.45 cents per share already paid, will make a total of HK8.95 cents per share for the full year of 2022, which maintained at the same level as in 2021.

## BUSINESS OVERVIEW

During the year, the Company's various business segments have maintained stable development and met the expected objectives. The Company established the Sustainability-linked Financing Framework during the year and became the first Tianjin's state-owned enterprise listed in Hong Kong in aligning Sustainability-linked Financing Framework with the syndicated financing. The present and future development strategies of the Company will be restructuring its businesses, and optimising its asset structure. The Company will also focus on high-quality development and businesses with potential for sustainable expansion.

The utilities sector continued to achieve a healthy growth. With sound operation, the Company captured the development opportunities brought about by the high-quality development and industrial structure optimisation of the Tianjin Economic and Technological Development Area during the year, laying a solid foundation for its sustainable development.

The pharmaceutical sector was stable and reported annual revenue of approximately HK\$1,486.8 million and profit of approximately HK\$80.8 million. The disposal of the plant and equipment in relation to the terminated 23-valent pneumococcal polysaccharide vaccine project of Tianjin Biochemical Pharmaceutical Co., Ltd. was completed during the year. The timely disposal of inefficient assets is in line with the operational development of Lisheng Pharmaceutical and will help enhance its operational efficiency. During the year, Lisheng Pharmaceutical was selected as one of the Science and Technology Reform Demonstration Enterprises under the State-owned Enterprise Reform by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委國企改革「科改示範企業」名單), and also accredited as one of the "2021 Top 100 Companies of Pharmaceutical Industries in China (2021年度中國醫藥工業百強系列榜單)" by Menet (米內網). With its solid research and development and production capabilities as well as its strong marketing skills, Lisheng Pharmaceutical was listed in the "Top 100 Chemical Pharmaceutical Companies in China (中國化藥企業TOP 100排行榜)" for the second consecutive year. Its products, namely Metronidazole tablets, Folic Acid tablets, Hydrochlorothiazide tablets, Donepezil Hydrochloride tablets and Compound Sulfamethoxazole tablets have passed the consistency evaluation for the quality and efficacy as generic drugs, while Valsartan and Amlodipine Tablets (I) has obtained the drug registration approval from the National Medical Products Administration, which is equivalent to passing the consistency evaluation as generic drugs. These product evaluations demonstrate the research and development strength and superior product quality of Lisheng Pharmaceutical, which is beneficial to enhance its competitiveness in the pharmaceutical market and also driving sales growth.

The performance of Courtyard by Marriott Hong Kong was in line with our expectation. Courtyard by Marriott Hong Kong continues to recover and reported improved earnings following the new phase of pandemic control. Throughout the year, the average room price increased while the average occupancy rate was at approximately 64.1%, a 9 percentage points improvement over last year.

During the year, electrical and mechanical business continue to face more difficulties, and the annual revenue decreased by 23% to approximately HK\$281.4 million and the operating loss narrowed. In view of the unsatisfactory operating results of the electrical and mechanical business, we will consider the benefits of the restructuring of its operations.

As regards strategic investments, Tianjin Port Development Holdings Limited maintained a stable throughput during the year, while its result is affected by the absence of an one-off gain recognised in last year and exchange differences. The profit contributions from Otis Elevator (China) Investment Company Limited have achieved our expected levels.

# Chairman's Statement

## PROSPECT

Looking ahead to 2023, the growth momentum in the world's leading economies is expected to slow down. The geopolitical changes and economic environment will be encountering increasing uncertainty, which will make the global economy more complex and unpredictable. The China's economic performance will remain a steady trend, but still faces challenges and risks. The downside pressures in the economy cannot be neglected. As China has entered a new phase of pandemic control, with the orderly implementation of various positive policies and measures, it is expected that China's economy will maintain a stable development.

Despite the competitive and challenging environment, the Company will continuously adhere to the management philosophy of "Stable and pragmatic, Continuous improvement, and People-focused", and strengthen its business foundation and financial strength to meet any challenges ahead. The Company will accelerate the transition to high-quality business development. 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.

**Wang Gang**

*Chairman and Executive Director*

Hong Kong, 30 March 2023

## BUSINESS REVIEW

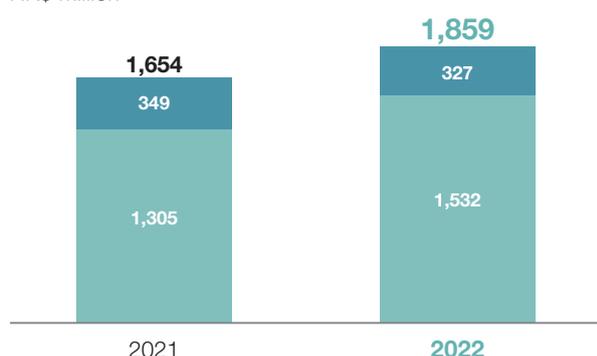
### Utilities

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.

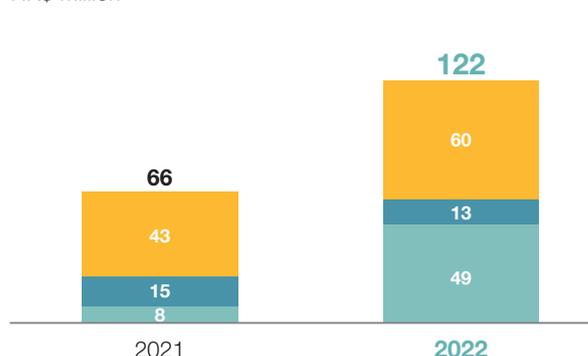
### Revenue

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 (2021: 325,000 tonnes).

Revenue from the Water Company was approximately HK\$327 million, a decrease of 6.3% from HK\$348.8 million in 2021. Profit from the Water Company was approximately HK\$13.3 million, compared with HK\$15 million last year. The decline in both revenue and profit was primarily attributable to lower ancillary services income, partly offset by tariff improvement and lower administrative expenses. The total quantity of water sold for the year was approximately 47,222,000 tonnes, representing an increase of 1% over 2021.

### 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 steam transmission pipelines of approximately 462 kilometres (2021: 462 kilometres) and more than 120 processing stations (2021: 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 2022, revenue from the Heat and Power Company was approximately HK\$1,532.3 million, an increase of 17.4% from HK\$1,304.9 million last year. Profit from the Heat and Power Company was approximately HK\$49.3 million, compared with HK\$7.9 million in 2021. The increase in both revenue and profit was primarily attributable to increase in government supplemental income by HK\$290.7 million, partly offset by a combination of tariff adjustment and increase in average steam purchase cost. The total quantity of steam sold for the year was approximately 3,714,000 tonnes, representing an increase of 1.3% over 2021.

### Electricity

As at 31 December 2022, 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\$2,581.2 million, representing an increase of 3.7% compared with last year. TEDA Power contributed to the Group a profit of approximately HK\$59.8 million, an increase of 40.4% from HK\$42.6 million in 2021. The total quantity of electricity sold for the year was approximately 3,166,854,000 kWh, representing an increase of 2.1% 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**”).

Revenue from pharmaceutical segment was approximately HK\$1,486.8 million, an increase of 1.5% from HK\$1,464.4 million in 2021. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$1,326.9 million, an increase of 1.5% from HK\$1,306.7 million in 2021. Revenue from sale of packaging materials amounted to approximately HK\$159.9 million, an increase of 1.4% from HK\$157.7 million last year. Profit from pharmaceutical segment was approximately HK\$80.8 million, compared with HK\$104.1 million last year.

During the year, the revenue of Research Institute decreased by 10.8% to approximately HK\$748.6 million and contributed to the Group a loss (after non-controlling interests) of approximately HK\$51 million, as compared with a loss of HK\$34.4 million in 2021.

The decline in profit from pharmaceutical segment was primarily due to the disposal loss of HK\$42.2 million on the relevant assets in connection with the termination of the 23-valent pneumococcal polysaccharide vaccine project, partly offset by lower selling and distribution expense driven by further strengthened the reasonable control over advertising and marketing expenses. If not taking into account the disposal loss, profit from pharmaceutical segment amounted to approximately HK\$123 million, an increase of HK\$20 million from HK\$103 million last year on a like-for-like basis.

# Management Discussion and Analysis

## Hotel

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

Revenue from Courtyard Hotel increased by HK\$20.5 million to approximately HK\$77.7 million. Profit from Courtyard Hotel was approximately HK\$2.6 million compared to a loss of HK\$8.6 million last year. The improvement in operating result of Courtyard Hotel was primarily due to the enrollment of Hong Kong Government’s Designated Quarantine Hotel Scheme which ended in September 2022 and also the orderly relaxation of pandemic controls by the Hong Kong Government. The average room rate increased slightly and the average occupancy rate was approximately 64.1%, a 9 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 2022, revenue from electrical and mechanical business of approximately HK\$281.4 million was 23% below that of last year. Loss from electrical and mechanical business was approximately HK\$13.8 million compared to a loss of HK\$70.9 million in 2021. The reduction in loss was primarily attributable to lower administration expenses and reversal of impairment loss on contract assets, partly offset by lower revenue and operating margins on certain contract works completed during the year. The Group will continue to take cautious view with the operating performance of electrical and mechanical business and may consider critically the advantages in its restructuring.

## Strategic and Other Investments

### Port Services

As at 31 December 2022, 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 decreased by 25% to approximately HK\$13,009.8 million and profit attributable to owners of Tianjin Port was approximately HK\$333 million.

Tianjin Port contributed to the Group a profit of approximately HK\$69.9 million, representing a decrease of 63.9% over last year. The decline was primarily due to the absence of a one-off gain on disposal of interest in a subsidiary in last year and the incurrance of exchange loss.

### Elevators and Escalators

As at 31 December 2022, 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\$25,049.7 million, representing a decrease of 7% compared with last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$325.2 million, representing an increase of 10% over last year.

# Management Discussion and Analysis

## Strategic and Other Investments (Continued)

### Investment in Binhai Investment Company Limited

As at 31 December 2022, 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\$86.5 million (2021: approximately HK\$87 million) and the unrealised fair value loss of approximately HK\$0.5 million (2021: a gain of approximately HK\$21.5 million) was recognised in other comprehensive income.

### Investment in Tasly Holding Group Co., Ltd.

As at 31 December 2022, the Group had 12.15% equity interest in Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) (“**Tasly Holding**”), a non-core passive investment in relation to the Group’s pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司). Tasly Holding is a conglomerate established under the laws of the PRC on 30 March 2000 and its principal asset includes the holding of 683,481,524 A shares in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司) (“**Tasly Pharmaceutical**”), representing approximately 45.57% 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 2022, the fair value of investment in Tasly Holding was approximately HK\$1,072.3 million (2021: HK\$1,632.4 million), accounting for approximately 5% of the Group’s total assets, and on that date the fair value loss together with the exchange effect amounted to approximately HK\$560.1 million has been recognised in other comprehensive income. During the year, there was HK\$14.1 million dividend distribution from Tasly Holding (2021: nil). 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 2023, the growth momentum in the world’s leading economies is expected to slow down. The geopolitical changes and economic environment will be encountering increasing uncertainty, which will make the global economy more complex and unpredictable. The China’s economic performance will remain a steady trend, but still faces challenges and risks. The downside pressures in the economy cannot be neglected. As China has entered a new phase of pandemic control, with the orderly implementation of various positive policies and measures, it is expected that China’s economy will maintain a stable development.

Despite the competitive and challenging environment, the Company will continuously adhere to the management philosophy of “Stable and pragmatic, Continuous improvement, and People-focused”, and strengthen its business foundation and financial strength to meet any challenges ahead. The Company will accelerate the transition to high-quality business development.

## LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2022, the total cash on hand and total bank borrowings of the Group stood at approximately HK\$6,338.5 million and HK\$1,564.6 million respectively (2021: approximately HK\$6,962.1 million and HK\$2,302.3 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. As at 31 December 2022, none of the Group's bank borrowings will mature within one year (2021: approximately HK\$2,302.3 million).

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 13% as at 31 December 2022 (2021: approximately 18%).

Bank borrowings of HK\$1,564.6 million outstanding as at 31 December 2022 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 2021, fixed-rate debts which amounted to RMB251 million (equivalent to approximately HK\$306.8 million) with annual interest rates at 4.35% to 5.66% was fully repaid during the year.

As at 31 December 2022, all of the Group's bank borrowings was denominated in Hong Kong dollar (2021: 86.7% of the Group's total bank borrowings was denominated in Hong Kong dollar, 13.3% was denominated in Renminbi).

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

During the year, the Group has not entered into any derivative contracts or hedging transactions. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and shall consider hedging foreign currency exposure should the need arise.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of approximately 2,490 employees (2021: 2,629) of which approximately 215 (2021: 219) were management personnel and 784 (2021: 799) 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.

## CHARGE ON ASSETS

As at 31 December 2022, restricted bank balances of HK\$178.9 million (2021: restricted bank balances of HK\$119 million, land use rights of HK\$68.8 million and buildings of HK\$339.9 million) was pledged to financial institutions by the Group to secure general banking facilities.

# Management Discussion and Analysis

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK5.50 cents per share for the year ended 31 December 2022 (2021: HK5.50 cents per share) to the shareholders whose names appear on the Company's register of members on 4 July 2023. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 21 June 2023, the final dividend will be paid on 24 July 2023.

The final dividend together with the interim dividend of HK3.45 cents per share paid on 28 October 2022 makes a total of HK8.95 cents per share for the year (2021: HK8.95 cents per share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 June 2023 (Friday) to 21 June 2023 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 15 June 2023 (Thursday).

The register of members of the Company will be closed from 3 July 2023 (Monday) to 4 July 2023 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 30 June 2023 (Friday).

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. WANG Gang**, aged 57, was appointed as Chairman and Executive Director of the Company on 7 January 2022. 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. Wang is a senior engineer, graduated from Tianjin University with a Bachelor's Degree in Engineering major in thermal engineering in 1990. Prior to joining the Company, he had served in various executive roles including vice manager of Heat and Power Company of Tianjin Economic and Technological Development Area (天津開發區熱電公司), manager of Tianjin TEDA Tsinlien Gas Company (天津泰達燃氣公司), manager of construction management department of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) (“**TEDA Holding**”), chairman of Tianjin TEDA Ocean Development Co., Ltd. (天津泰達海洋開發有限公司) as well as chairman of Tianjin Eco-city TEDA Ocean Technology Development Co., Ltd. (天津生態城泰達海洋技術開發有限公司). Mr. Wang is currently the assistant to general manager of TEDA Holding, the chairman of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司), Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) and Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, and a non-executive director of Binhai Investment Company Limited (Stock Code: 2886). He has extensive experience in corporate management, strategic planning and thermal engineering management.

**Dr. LI Xiaoguang**, aged 50, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019 and the General Manager of the Company on 22 December 2021. Dr. Li is a chief senior economist, engineer, graduated from Tianjin University with a Bachelor's Degree in Engineering in 1995, and obtained a Master of Business Administration Degree in 2003 and a Doctoral Degree in Global Economics from Nankai University in 2009. Dr. Li first joined the Company in 2004 and has worked in various roles including manager of asset management department of Tianjin Development Assets Management Co., Ltd. (天津發展資產管理有限公司), a wholly-owned subsidiary of the Company, deputy general manager, general manager of investment development department of Tsinlien Group Company Limited (津聯集團有限公司) (“**Tsinlien**”). During the period from 2008 to 2015, he served in the general office of Tianjin Municipal People's Government (天津市人民政府辦公廳) and the general office of Guangzhou Municipal Committee of the Communist Party of China (廣州市委辦公廳). Dr. Li then re-joined Tsinlien as assistant to general manager in 2015 and assistant to general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) (“**TEDA Industrial**”). He is currently a deputy general manager of TEDA Industrial and Tsinlien, an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382), and concurrently the vice-chairman of Tianjin Bohai State-owned Capital Research Institute Co., Ltd. (天津渤海國有資本研究院有限公司), an associate of TEDA Industrial, as well as a director of certain subsidiaries of Tsinlien and the Company. Dr. Li has extensive experience in economics, corporate management and public relations.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS (Continued)

**Mr. TENG Fei**, aged 44, was appointed as an Executive Director and Deputy General Manager of the Company on 30 March 2023. 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. (三星愛尚(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 the deputy general manager of 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), 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), all being controlling shareholders of the Company, as well as a director of certain subsidiaries of the Company. He has extensive experience in corporate management, specializing in production and manufacturing enterprises management.

**Mr. ZHUANG Qifei**, aged 50, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Mr. Zhuang graduated from Shanghai University of Finance and Economics with a Bachelor's Degree in Engineering in 1993, and obtained a Master's Degree in Economics from Fudan University in 2001 and an Executive Master of Business Administration Degree from Tsinghua University in 2012. Prior to joining the Company, he had served in various executive roles including treasury manager of investment banking department of Shanghai Wanguo Securities Co., Ltd. (上海萬國證券有限公司), deputy general manager of Shanghai headquarter of China Southern Securities Co., Ltd. (中國南方證券有限公司), deputy general manager of investment banking department of Tiantong Securities Co., Ltd. (天同證券有限公司), deputy general manager of Shanghai headquarter of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (Stock Code: 601688.SH), general manager of securities investment headquarter of Central China Securities Co., Ltd. (中原證券股份有限公司) (Stock Code: 601375.SH), general manager of Shanghai Richen Asset Management Co., Ltd. (上海融昌資產管理有限公司), director of Western Securities Co., Ltd. (西部證券股份有限公司) (Stock Code: 002673.SZ), general manager of Shanghai Chengtou Holding Investment Co., Ltd. (上海城投控股投資有限公司) as well as investment controller, vice president of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (Stock Code: 600649.SH). Mr. Zhuang is currently the chairman of Tianjin TEDA International Holding (Group) Co., Ltd. (天津市泰達國際控股(集團)有限公司), a wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), and Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司). He served as a deputy general manager of 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) during the period from 2019 to August 2022, 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) until 8 April 2023. Mr. Zhuang has extensive experience in investment and capital operation.

Mr. Zhuang resigned as Executive Director and Deputy General Manager of the Company with effect from 30 March 2023.

# Biographical Details of Directors and Senior Management

## NON-EXECUTIVE DIRECTORS

**Mr. SUN Lijun**, aged 40, 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, both being controlling shareholders of the Company, as well as a director of certain subsidiaries of TEDA Industrial. Mr. Sun has extensive experience in financial and treasury management.

**Mr. CUI Xiaofei**, aged 50, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019 and re-designated as Non-Executive Director of the Company on 22 December 2021. Mr. Cui graduated from Northeastern University with a Bachelor's Degree in Economics in 1996 and obtained an Executive Master of Business Administration Degree from The University of Texas at Arlington, College of Business in 2012. Prior to joining the Company, he had served in various executive roles including secretary to president, project manager of corporate investment management department of China Iron & Steel Trade and Industry Group Corporation (中國鋼鐵工貿集團公司), project manager, director, general manager of Sinosteel Australia Pty Ltd (中鋼澳大利亞有限公司), director, general manager of Sinosteel Channar Pty Ltd (中鋼恰那鐵礦有限公司), vice president of Sinosteel Iron & Steel Co., Ltd. (中鋼鋼鐵有限公司), deputy general manager of China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易有限公司), managing director of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd. (中船工業成套物流有限公司), chairman of Beijing Blue Duck Spring Co., Ltd. (北京藍鴨冰泉有限公司) as well as director, general manager of Bulk International Pte. Ltd. (大宗國際有限公司). Mr. Cui served as the vice-chairman of 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) during the period from 2019 to July 2022, and a deputy general manager of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) until February 2023. He has extensive experience in finance and international business.

Mr. Cui resigned as Non-Executive Director of the Company with effect from 30 March 2023.

# Biographical Details of Directors and Senior Management

## NON-EXECUTIVE DIRECTORS (Continued)

**Mr. CHEUNG Wing Yui, Edward, BBS**, aged 73, was appointed as an independent non-executive director of the Company in November 1997 and re-designated as Non-Executive Director of the Company in September 2004. Mr. Cheung received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia and is a member of CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. He was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is a director of a number of companies listed on the Stock Exchange, namely being a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited (Stock Code: 315) and SUNeVision Holdings Ltd. (Stock Code: 1686), a non-executive director of Tai Sang Land Development Limited (Stock Code: 89) and Transport International Holdings Limited (Stock Code: 62). In addition, he is currently a member of Sponsorship & Development Fund Committee and a court member of Hong Kong Metropolitan University (formerly The Open University of Hong Kong), a director of The Community Chest of Hong Kong and the Honorary Council Member of the Hong Kong Institute of Directors Limited. He has held the position of the deputy chairman of Hong Kong Metropolitan University, a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance, a member of the Board of Review (Inland Revenue Ordinance), the deputy chairman of the Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from Hong Kong Metropolitan University in 2016.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. CHENG Hon Kwan, GBS, JP**, aged 95, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a postgraduate diploma from Imperial College of Science and Technology, London. He has been awarded Honorary Doctoral Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Hong Kong Metropolitan University (formerly The Open University of Hong Kong), and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers, United Kingdom and the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. He is also an authorized person and registered structural engineer. Dr. Cheng is a former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a Standing Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC) and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Dr. Cheng is currently an independent non-executive director of Agile Group Holdings Limited (Stock Code: 3383), a company whose shares are listed on the Stock Exchange.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. MAK Kwai Wing, Alexander**, *BSoc.Sc., ATiHK, FCPA (Aust.)*, aged 73, was appointed as an Independent Non-Executive Director of the Company on 27 October 2009. He is also the Chairman of the Investment Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also a Fellow of CPA Australia and an associate of The Taxation Institute of Hong Kong. Mr. Mak has over 40 years of experience in the taxation field. He has extensive experience in Hong Kong corporate and individual tax planning and has assisted a vast number of clients in South East Asia in developing effective tax strategies to minimize their tax exposure in the region. Mr. Mak was formerly an assessor with the Inland Revenue Department. In July 2006, he joined Mazars Tax Services Limited (“**Mazars**”) as an executive director, became its managing director in January 2008 and then Senior Advisor from September 2014 to June 2017. Before joining Mazars, Mr. Mak was a tax principal in Ernst & Young and took an early retirement in January 2004 to pursue his governorship of Rotary International District 3450 and also his own consulting business. Currently, Mr. Mak is a member of Hong Kong Professional Consultants Association, the Treasurer of Senior Citizen Home Safety Association and an independent non-executive director of K & P International Holdings Limited (Stock Code: 675), a company whose shares are listed on the Stock Exchange. Previously, Mr. Mak had served as the chairman of Tax Specialization Development Working Group of Hong Kong Institute of Certified Public Accountants, the president of The Taxation Institute of Hong Kong; the vice chairman of Steering Committee of Hong Kong Network of Virtual Enterprises; the governor of Rotary International District 3450; the chairman of Practice Firm Steering Committee of Hong Kong Institute of Vocational Education (Tsing Yi) and District Rotary Foundation Committee of Rotary International District 3450; a treasurer of The Hong Kong Road Safety Association, H5N1 Concern Group and The Hong Kong International Film Festival Society Limited; a member of taxation committee of Hong Kong Institute of Certified Public Accountants; a member of the Road Safety Council, Joint Liaison Committee on Taxation, Hospital Authority Public Complaints Committee, Hospital Governing Committee of Hong Kong Eye Hospital and Kowloon Hospital; and a part-time member of Hong Kong Government’s Central Policy Unit.

**Ms. NG Yi Kum, Estella**, aged 65, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Ms. Ng is the Deputy Chairman and Executive Director, Chief Strategy Officer & Chief Financial Officer and Company Secretary of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), a company whose shares are listed on the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the Chief Financial Officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company whose shares are listed on the Stock Exchange. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (“**Hang Lung**”) (Stock Code: 101), a company whose shares are listed on the Stock Exchange. Prior to her joining in Hang Lung in 2003, she was employed by the Stock Exchange in a number of senior positions, most recently as senior vice president of the Listing Division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, The Chartered Governance Institute, 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 China Power Clean Energy Development Company Limited (Stock Code: 735) and CT Vision S.L. (International) Holdings Limited (Stock Code: 994) until 19 August 2019 and 30 June 2022.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. WONG Shiu Hoi, Peter**, aged 82, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is the past chairman of The Hong Kong Institute of Directors and was a director of the Hong Kong Securities and Investment Institute, an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited as well as an overseas business advisor of Haitong Securities Company Limited. He is currently an advisor of Our Hong Kong Foundation and an independent non-executive director of Agile Group Holdings Limited (Stock Code: 3383) and Tai Hing Group Holdings Limited (Stock Code: 6811), both companies 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) and Target Insurance (Holdings) Limited (Stock Code: 6161) until 4 June 2021 and 9 August 2021 respectively.

**Dr. LOKE Yu, alias LOKE Hoi Lam**, aged 73, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. He has over 42 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a Fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute. He is also a member of The Hong Kong Independent Non-Executive Director Association. Currently, he serves as a non-executive director of Veson Holdings Limited (Stock Code: 1399) and also serves as an independent non-executive director of Times Universal Group Holdings Limited (Stock Code: 2310), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), Matrix Holdings Limited (Stock Code: 1005), China Silver Technology Holdings Limited (Stock Code: 515) and Zhenro Properties Group Limited (Stock Code: 6158), all of these companies are listed on the Stock Exchange. He also served as an independent non-executive director of Lamtex Holdings Limited (Stock Code: 1041), Tianhe Chemicals Group Limited (Stock Code: 1619), CIMC-TianDa Holdings Company Limited (Stock Code: 445), Zhong An Real Estate Limited (Stock Code: 672), Chiho Environmental Group Limited (Stock Code: 976), Crazy Sports Group Limited (formerly V1 Group Limited) (Stock Code: 82) and TradeGo FinTech Limited (Stock Code: 8017) until 23 March 2020, 31 May 2020, 25 January 2021, 10 June 2021, 6 December 2021, 26 May 2022 and 8 February 2023 respectively.

**Mr. LAU Ka Keung**, *BBS, MH, JP*, aged 47, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration 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 (香港青年聯合會). 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.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. SIN Hendrick, MH**, aged 48, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also a member of each of the Audit Committee, the Nomination Committee and the Investment 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.

## SENIOR MANAGEMENT

**Ms. WANG Lan**, aged 54, Assistant to General Manager of the Company. Ms. Wang is a senior accountant with the qualifications of certified public accountant and certified public valuer of the PRC. She graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Statistic in 1990 and a Master's Degree in Professional Accountancy from the Chinese University of Hong Kong in 2006. Ms. Wang joined the Company since 1998 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd. (天津發展資產管理有限公司), assistant manager of finance department of the Company, assistant supervisor of the Tianjin representative office of the Company, general manager of Tianjin First Hotel Ltd. (天津第一飯店有限公司), general manager of investment and development department of the Company and Tsinlien Group Company Limited (津聯集團有限公司) ("**Tsinlien**"), supervisor of the office of the board of directors and supervisors of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("**TEDA Industrial**"), head of investment planning department of TEDA Industrial and head of assets management department of the Company, Tsinlien and TEDA Industrial. She is currently the secretary of the board and assistant to general manager of TEDA Industrial, a director and assistant to general manager of Tsinlien, as well as 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).

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT (Continued)

**Mr. YU Kexiang**, aged 52, 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 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") 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 50, 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 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 45, 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. 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 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and aims to provide stakeholders a comprehensive overview on our ESG policies, initiatives as well as performance.

## 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 2022 (the “**Reporting Period**”, “**FY2022**”). 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 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.

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

In addition, during the outbreak of Coronavirus Disease 2019 (the “**Coronavirus**”) pandemic, the Group has also adopted various e-channels to maintain our communications with various stakeholders.

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

<b>HKEx ESG Guide Reference</b>	<b>Material ESG issues</b>	<b>Level of importance</b>
<b>General</b>		
<b>General</b>	1. Compliance with relevant laws and regulations	Critical
	2. Risk management	Highly important
	3. Corporate governance	Critical
<b>A. Environmental</b>		
<b>A1. Emissions</b>	4. Air emissions and water discharge	Moderately important
	5. Greenhouse gas emissions	Moderately important
	6. Waste management	Moderately important
<b>A2. Use of resources</b>	7. Energy consumption	Moderately important
	8. Water usage	Moderately important
	9. Clean water source	Moderately important
	10. Packaging materials	Moderately important
<b>A3. The environment and natural resources</b>	11. Environmental impact management	Moderately important
<b>A4. Climate change</b>	12. Impact of climate change	Moderately important
<b>B. Social</b>		
<b>B1. Employment</b>	13. Remunerations and benefits	Highly important
	14. Equal opportunity and anti-discrimination	Critical
<b>B2. Health &amp; safety</b>	15. Workplace health and safety	Highly important
<b>B3. Development and training</b>	16. Employee development and training	Highly important
<b>B4. Labour standards</b>	17. Prevention of child and forced labour	Highly important
<b>B5. Supply chain management</b>	18. Responsible procurement	Moderately important
<b>B6. Product responsibility</b>	19. Product and service quality	Highly important
	20. Pharmaceutical product safety	Moderately important
<b>B7. Anti-corruption</b>	21. Anti-corruption and money laundering	Highly important
<b>B8. Community investment</b>	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

## GENERAL

### Compliance with relevant laws and regulations

Compliance with relevant laws and regulations, corporate governance, and equal opportunity and anti-discrimination, were identified as top material issues during the Reporting Period. To address the concerns of our stakeholders, our operating segments have established regulatory departments or equivalent to keep up with regulatory updates. 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.

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

## A. ENVIRONMENTAL

### A1 Emissions

In order to protect the environment, the Group takes an active role to manage our air and greenhouse gas emissions, discharges into water and land, and hazardous and non-hazardous waste from our business operations. We are committed to meeting the requirements as set out in the local environmental laws and regulations, including but not limited to the “Environmental Protection Law of the People’s Republic of China”(中華人民共和國環境保護法), the “Law of the People’s Republic of China on Prevention and Control of Water Pollution”(中華人民共和國水污染防治法), the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”(中華人民共和國大氣污染防治法), 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 FY2021 are summarised as follows:

Type of emissions	FY2022 Total (Tonnes)	FY2021 Total (Tonnes)
Nitrogen Dioxide (NO <sub>2</sub> )	0.62	1.78
Sulphur Dioxide (SO <sub>2</sub> )	0.12	0.15
Wastewater	291,974.21	250,712.00

Note: The above statistics cover the air emissions and water discharge from Water Company, Tianfa Equipment and Lisheng in FY2022. 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	FY2022 Total (Tonnes)
Total (Tonnes)	291,974.95
Intensity (per revenue in RMB'000)	0.18

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 552,862.75 tonnes (FY2021: 561,653.38 tonnes) of the energy-related carbon dioxide equivalent (CO<sub>2</sub>e) 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.

<b>Greenhouse gas emission</b>	<b>FY2022 (in tonnes)</b>	<b>Intensity (per revenue in RMB'000)</b>
Direct emission (Scope 1)	<b>4,635.31</b>	<b>0.0016</b>
Indirect emission (Scope 2)	<b>548,227.44</b>	<b>0.1857</b>

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 1,356.69 tonnes (FY2021: 1,139.00 tonnes) during the Reporting Period. The overall increase was because in FY2022 Tianfa Equipment disposed scrap metal.

<b>Non-hazardous waste in FY2022</b>	<b>Consumption (in tonnes)</b>	<b>Intensity (per revenue in RMB'000)</b>
Total (in tonnes)	<b>1,356.69</b>	<b>0.00098</b>

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 361.08 tonnes (FY2021: 226.65 tonnes). The overall increase was due to the disposal of oily waste of Tianfa Equipment and the increase in production scale by Lisheng in FY2022.

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.

<b>Total hazardous waste</b>	<b>FY2022 Total (Tonnes)</b>
Total (Tonnes)	<b>361.08</b>
Intensity (per revenue in RMB'000)	<b>0.00022</b>

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 with that in FY2019 due to the disposal of oily waste of Tianfa Equipment and the increase of overall production of 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 FY2021 are shown as below:

Type	Consumption		Intensity (per revenue in RMB'000)	
	FY2022	FY2021	FY2022	FY2021
Petrol (Tonnes)	<b>48.46</b>	52.41	<b>0.000029</b>	0.000032
Diesel (Tonnes)	<b>3.62</b>	1.29	<b>0.000014</b>	0.0000050
Natural gas (m <sup>3</sup> )	<b>2,187,756.00</b>	2,588,905.00	<b>1.32</b>	1.57
Electricity (kWh)	<b>40,989,911.00</b>	43,073,389.00	<b>13.88</b>	15.89
Heat (GJ)	<b>5,711.54</b>	5,712.00	<b>0.022</b>	0.022
Steam (Tonnes)	<b>3,917,901.58</b>	3,966,815.00	<b>1.60</b>	1.84

Note: The above statistics cover the major types of energy consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng in FY 2022.

# 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. The decrease of intensity in steam was mainly due to resumption of sales and production of Heat & Power Company after the pandemic in FY2022. The decrease of intensity in electricity was due to the decline of overall reduction of production of Tianfa Equipment in FY2022.

During the Reporting Period, Lisheng implemented the distributed photovoltaic power generation project with construction scale of 5 MW. 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.

In addition, the existing pressure pipes of a subsidiary of Lisheng, had serious heat loss phenomenon. The original steam pipes were dismantled and new pipes were installed to fulfil the latest welding procedure specification and to alleviate the potential safety risks. After the renovation is completed, heat loss of 334 tonnes of steam can be reduced annually while also saving the cost of welding and rectification of the pipelines.

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.

With the implementation of the abovementioned measures, electricity consumption intensity has been reduced compared to FY2019 and we are expecting that the reduction would continue 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 1,162,237.00 tonnes, with an intensity of 0.39 tonnes per revenue (RMB'000) (FY2021 Consumption: 1,906,123.00 tonnes; FY2021 Intensity: 0.70 tonnes per revenue (RMB'000)).

The decrease of water consumption was because the waste reduced during production by Water Company.

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.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2 Use of Resources (Continued)

#### Water usage (Continued)

- Installing water efficient devices.
- Carrying out periodic inspection and replacement on water pipes to prevent leakages.
- Replacing wet cooling tower from open circuit to closed to reduce usage of water during circulation.
- 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.

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

#### Packaging materials

Our pharmaceutical segment consumes packaging materials for containing and protecting our pharmaceutical products while Tianfa Equipment also consumes a small amount of packaging materials. Despite the fact that using packaging materials is inevitable, we strive to minimise the packaging materials by adopting simple design, as well as using recycled and recyclable materials as possible. We have also set up consumption quotas for each 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 2,301.32 tonnes (FY2021: 3,485.37 tonnes) which have been decreased compared to FY2021. The reduction mainly attributed to the monthly packaging materials consumption quota set by Lisheng at the beginning of the Reporting Period and has been incorporated as one of the performance metrics in the monthly assessment.

# 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

#### Impact of climate change

The Group has considered the climate change in our annual enterprise risk management process to evaluate if there has been any significant climate-related risks that may impact our business operations. Contingency business plans regarding the possible scenarios under various extreme weather conditions have been established, and we have purchased relevant insurance policies to protect our production, assets and employees. The management teams of principle operations actively monitor the climate conditions and are responsible in implementing various measures, such as flexible working arrangement to tackle with any unanticipated crisis brought by extreme weathers, and to eliminate potential hazards to our production as well as employees. With proliferation of decarbonisation standards and regulations, we will continue to explore opportunities to integrate sustainability solutions into our business models.

# Environmental, Social and Governance Report

## B. SOCIAL

### B1 Employment

#### Remuneration and benefits

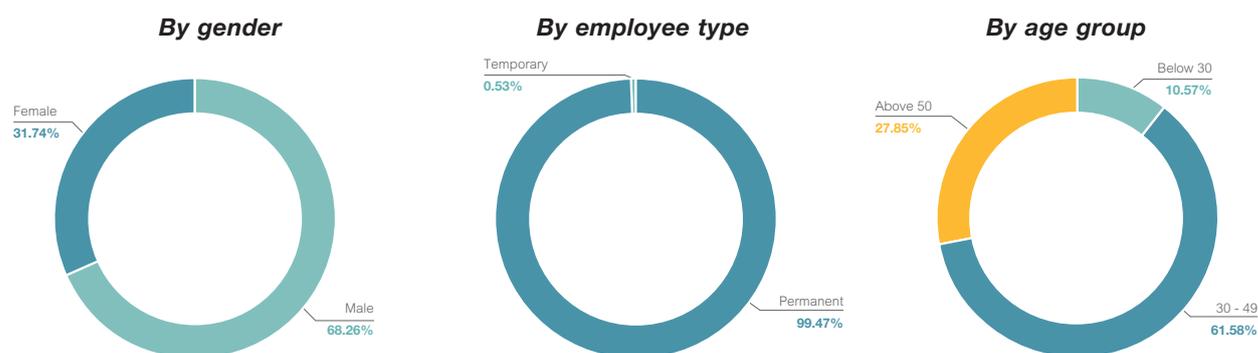
The Group promotes ethical and fair labour policies in the interest of our people. We value and respect the rights of our employees. To uphold the labour standards and fulfil our obligation as well as responsibilities as employer, our operating segments have established comprehensive guidelines with 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) 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 FY2022, the Group’s principal operating segments have a total workforce of 2,262 employees (FY2021: 2,381 employees) based in Northern China region with a turnover rate of around 4.80% (FY2021: 5.80%).

#### Employee Profile



#### Employee Profile

##### By gender

	FY2022	FY2021
Male	1,544	1,627
Female	718	754

##### By employee type

	FY2022	FY2021
Permanent	2,250	2,362
Temporary	12	19

##### By age group

	FY2022	FY2021
Below 30	239	300
30-49	1,393	1,410
Above 50	630	671

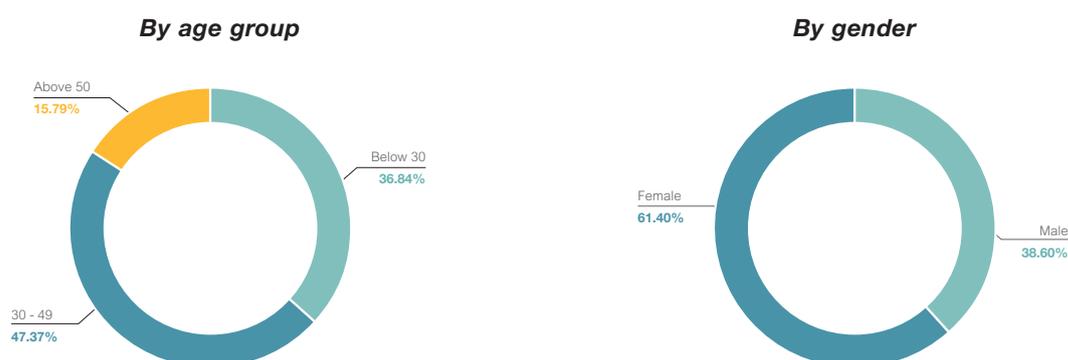
# Environmental, Social and Governance Report

## 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
FY2022	2.85%	9.75%	17.57%	3.88%	2.86%
FY2021	5.53%	6.37%	7.33%	5.67%	5.37%

### B2 Health and Safety

#### Workplace health and safety

Health and safety of each and every employee is of paramount importance to us. The Group has compelling responsibility to protect the well-being of workers and minimise the possibility of accidents which may lead to immeasurable and irreparable workplace injuries. We strictly follow the “State Administration of Work Safety Act” (國家安全生產法), 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.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B2 Health and Safety (Continued)

#### Workplace health and safety (Continued)

In order to nurture and enhance a workplace safety culture and awareness of our employees, we have established employees' handbooks and safety guidelines for productions to clearly set out working procedures and specify the responsibilities of employees regarding workplace health and safety. Monitoring and management mechanisms are in place for operations with related risks identified to eliminate workplace safety hazards. We also provide safety equipment which are in conformity with the required standards and body check-up to our employees. We have also set safety targets and contingency plans, and have performed evaluations of historical safety records.

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

There were 337 and 326 lost days due to work injury during the Reporting Period and FY2021 respectively. One work-related fatality noted in relation to health and safety laws and regulations during the Reporting Period. An office employee in Lisheng suffered sudden cardiac death during the working hours. An incident working group was immediately established to conduct a thorough review into the incident and formal report was made to inform the relevant authorities. The working group also brought forward some recommendations to prevent similar incidents from happening in the future.

Reporting Year	Work-related fatalities
FY2022	1
FY2021	0
FY2020	0

After the incident occurred, the company immediately set up a working group to handle compensation issues and implemented 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)

### 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.

During the Reporting Period, the Group has provided 37,035 hours (FY2021: 57,675 hours) of training to 2,262 employees (FY2021: 2,189 employees). The decrease in training hours during the Reporting Period was primarily due to travelling restrictions in light of the outbreak of Coronavirus which limit the implementation of the original training plan, and the integration of certain safety training from classroom setting to daily operations in the Water Company. Statistics in relation to development and training in FY2022 are as shown below:

	Percentage of employees trained		Average training hours completed per employee	
	FY2022	FY2021	FY2022	FY2021
<b>Overall training proportion</b>				
Per total employee number	<b>100%</b>	91.94%	<b>16.37</b>	24.22
<b>By Gender</b>				
Male	<b>67.72%</b>	71.40%	<b>12.82</b>	23.30
Female	<b>32.28%</b>	28.60%	<b>24.02</b>	26.22
<b>By Employee Category</b>				
General staff	<b>92.06%</b>	93.06%	<b>14.93</b>	25.25
Middle management	<b>6.46%</b>	5.44%	<b>33.00</b>	12.33
Senior management	<b>1.48%</b>	1.51%	<b>24.81</b>	20.25

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### 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.

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

### B5 Supply Chain Management

#### Responsible procurement

In the supplier selection process, the Group takes suppliers’ social and environmental protection responsibilities into consideration, in addition to product or service quality and commercial factors. Our suppliers must comply with the national requirements and acquire relevant licenses and qualifications. We also regularly review the status of selected suppliers so as to ensure they meet the requirements. 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	FY2022	FY2021
Northern China	356	350
Northeast China	35	37
Eastern China	103	101
Southern China	27	24
Southwest China	8	6
Northwest China	12	11
Others	19	16

### 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 and 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” (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)

### 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.

### 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.

Lisheng is committed to improve the health of Tibetans. The Deputy Director of the Organisation Department of Party Committee of Lisheng continues to serve as a cadre for aiding Tibet, and has been appointed as the Deputy Director of the Tibetan Medicine Factory of the Tibetan Hospital in Qamdo, Tibet.

We always strive to become a socially responsible corporate upholds a high standard of corporate citizenship. 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.

# Corporate Governance Report

## 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 14 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 23 June 2022. Dr. Li Xiaoguang, executive director and general manager of the Company, took the chair of the annual general meeting pursuant to the articles of association of the Company (the “**Articles of Association**”).

To strengthen and enhance the corporate governance practices and conduct, the Company revised and updated the corporate governance guidelines of the Board, board diversity policy and shareholders’ communication policy, and adopted new anti-corruption policy and whistleblowing policy on 11 November 2022. 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.

## Board Composition

As at 31 December 2022, the Board consists of ten members, comprising three executive directors, being Mr. Wang Gang (*Chairman*), Dr. Li Xiaoguang (*General Manager*), Mr. Zhuang Qifei, two non-executive directors, being Mr. Cui Xiaofei, Mr. Cheung Wing Yui, Edward and five independent non-executive directors, being Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu.

On 7 January 2022, Mr. Zhang Bingjun 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 other work engagements and Mr. Wang Gang was appointed in place of Mr. Zhang Bingjun.

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.

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 15 to 21 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.

# Corporate Governance Report

## Chairman and General Manager (Continued)

Mr. Wang Gang, 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. Li Xiaoguang, 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 2022 included reviewing and, where applicable, approving/adopting the following matters:

- the Company's purpose, values and strategy;
- the Company's policies and practices on corporate governance, including whistleblowing policy, anti-corruption policy, corporate governance guidelines of the Board, board diversity policy, remuneration policy and shareholders communication policy;
- training and continuous professional development of directors and senior management;
- the Company's policies and practices on compliance with legal and regulatory requirements.

## 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 four 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:

<b>Name of Director</b>	<b>Attended/Eligible to Attend</b>
<b>Executive Directors</b>	
Mr. Wang Gang ( <i>Chairman</i> )	(appointed on 7 January 2022) 4/4
Dr. Li Xiaoguang ( <i>General Manager</i> )	4/4
Mr. Zhuang Qifei	(resigned on 30 March 2023) 2/4
Mr. Zhang Bingjun	(resigned on 7 January 2022) 0/0
<b>Non-Executive Directors</b>	
Mr. Cui Xiaofei	(resigned on 30 March 2023) 0/4
Mr. Cheung Wing Yui, Edward	4/4
<b>Independent Non-Executive Directors</b>	
Dr. Cheng Hon Kwan	4/4
Mr. Mak Kwai Wing, Alexander	4/4
Ms. Ng Yi Kum, Estella	4/4
Mr. Wong Shiu Hoi, Peter	4/4
Dr. Loke Yu	4/4

# Corporate Governance Report

## Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. In November 2022, the Company has invited Ms. Tang Yuen Yan, Senior Regional Officer of ICAC Regional Officer (Hong Kong West/Islands) to conduct an in-house training session for directors on the topic of “Integrity and Legal Compliance – Key to Business Success”. Further, monthly updates on the Company’s performance, position and prospects are also provided to the directors. The types of continuous professional development activities undertaken by the directors during the year are summarised as below:

Name of Director	Types of Continuous Professional Development Activities
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### Executive Directors

Mr. Wang Gang ( <i>Chairman</i> )	(appointed on 7 January 2022)	A
Dr. Li Xiaoguang ( <i>General Manager</i> )		A
Mr. Zhuang Qifei	(resigned on 30 March 2023)	A
Mr. Zhang Bingjun	(resigned on 7 January 2022)	N/A

### Non-Executive Directors

Mr. Cui Xiaofei	(resigned on 30 March 2023)	A
Mr. Cheung Wing Yui, Edward		B

### Independent Non-Executive Directors

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

notes:

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

## 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.

## Remuneration Committee

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

The principal responsibilities of the Remuneration Committee are to review and consider the Company's policy for the remuneration of directors and senior management and make recommendations to the Board on the remuneration packages of individual directors and senior management. The Remuneration Committee considers several factors such as time commitment, experience and responsibilities of the individual and the prevailing market condition before determining the remuneration packages including benefits in kind, pension rights and compensation payments. It also recommends to the Board on the remuneration of non-executive directors. No director is involving in determining his/her own remuneration.

During the year, the Remuneration Committee held two meetings 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
Dr. Cheng Hon Kwan ( <i>Chairman</i> )	2/2
Mr. Mak Kwai Wing, Alexander	2/2
Mr. Wang Gang (appointed on 7 January 2022)	2/2
Mr. Zhang Bingjun (resigned on 7 January 2022)	0/0

The major work performed by the Remuneration Committee during the year ended 31 December 2022 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 executive director;
- terms of directors' letters of appointment;
- remuneration policy; and
- discretionary bonus for the year 2021 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 2022 are set out in Note 11 to the consolidated financial statements.

# Corporate Governance Report

## Audit Committee

The Audit Committee comprises of five independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu. It is chaired by Ms. Ng Yi Kum, Estella. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements, risk management (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:

<b>Name of Director</b>	<b>Attended/Eligible to Attend</b>
Ms. Ng Yi Kum, Estella ( <i>Chairman</i> )	2/2
Dr. Cheng Hon Kwan	2/2
Mr. Mak Kwai Wing, Alexander	2/2
Mr. Wong Shiu Hoi, Peter	2/2
Dr. Loke Yu	2/2

The major work performed by the Audit Committee during the year ended 31 December 2022 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 2022 audit fees; 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. Mak Kwai Wing, Alexander and Mr. Wong Shiu Hoi, Peter and one executive director, Mr. Wang Gang. It is chaired by Mr. Mak Kwai Wing, Alexander.

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

## Investment Committee (Continued)

During the year, the Investment Committee held one meeting. At the meeting, members of the Investment Committee reviewed and considered certain wealth management plans proposed by the management. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Mr. Mak Kwai Wing, Alexander ( <i>Chairman</i> )	1/1
Mr. Wong Shiu Hoi, Peter	1/1
Mr. Wang Gang (appointed on 7 January 2022)	0/1
Mr. Zhang Bingjun (resigned on 7 January 2022)	0/0

## Nomination Committee

The Nomination Committee was established in December 2011 and comprises of three independent non-executive directors, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Ms. Ng Yi Kum, Estella and one executive director, Mr. Wang Gang. It is chaired by Mr. Wang Gang.

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 two meetings 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. Wang Gang ( <i>Chairman</i> ) (appointed on 7 January 2022)	2/2
Dr. Cheng Hon Kwan	2/2
Mr. Mak Kwai Wing, Alexander	2/2
Ms. Ng Yi Kum, Estella	2/2
Mr. Zhang Bingjun (resigned on 7 January 2022)	0/0

# Corporate Governance Report

## Nomination Committee (Continued)

The major work performed by the Nomination Committee during the year ended 31 December 2022 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- succession planning for the chairman 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.

## Nomination Committee (Continued)

As at 31 December 2022, the Board's composition under diversified perspectives is summarised as follows:

<b>Designation</b>		<b>Gender</b>	
Executive director	3	Male	9
Non-executive director	2	Female	1
Independent non-executive director	5		

<b>Length of service</b>		<b>Age group</b>	
5 years or below	4	50 or below	0
6 to 9 years	0	51 to 59	4
Over 10 years	6	Over 60	6

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 2022, the Group had a total of approximately 2,490 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 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

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 2022. 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 2022 and also reviewed the 2022 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\$2,405,000.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee 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 Deloitte Advisory (Hong Kong) Limited ("**Deloitte Advisory**") and RSM Nelson Wheeler Consulting Limited ("**RSM Nelson Wheeler**") to perform internal audit reviews to assess the effectiveness of the Group's risk management and internal control systems. The assessments cover all material controls, including financial, operational and compliance controls of the Company and its major subsidiaries on a rotation basis.

The risk management report prepared by Deloitte Advisory and the internal audit reports prepared by RSM Nelson Wheeler in accordance with the risk-based internal audit plan for the year 2022 have been reviewed and discussed at the Audit Committee meetings held on 24 August 2022 and 24 March 2023, respectively. The Board together with the senior management have respectively on 30 August 2022 and 30 March 2023, 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 23 June 2022 and 21 December 2022 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	
<b>Executive Directors</b>			
Mr. Wang Gang ( <i>Chairman</i> )	(appointed on 7 January 2022)	0/1	1/1
Dr. Li Xiaoguang ( <i>General Manager</i> )		1/1	1/1
Mr. Zhuang Qifei	(resigned on 30 March 2023)	0/1	0/1
Mr. Zhang Bingjun	(resigned on 7 January 2022)	0/0	0/0
<b>Non-Executive Directors</b>			
Mr. Cui Xiaofei	(resigned on 30 March 2023)	0/1	0/1
Mr. Cheung Wing Yui, Edward		1/1	1/1
<b>Independent Non-Executive Directors</b>			
Dr. Cheng Hon Kwan		1/1	1/1
Mr. Mak Kwai Wing, Alexander		1/1	1/1
Ms. Ng Yi Kum, Estella		1/1	1/1
Mr. Wong Shiu Hoi, Peter		1/1	1/1
Dr. Loke Yu		1/1	1/1

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.

# Corporate Governance Report

## 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 65 to 69 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 2022.

## 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 2022 are set out in the consolidated statement of profit or loss on pages 70 to 71.

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 (2021: HK3.45 cents per share) was paid on 28 October 2022. The Board recommends the payment of a final dividend of HK5.50 cents per share (2021: HK5.50 cents per share). Details are set out in Note 12 to the consolidated financial statements.

## DIVIDEND POLICY

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

In determining an appropriate basis for dividend payment, the Board will take into account, inter alia, the Group’s financial performance, earnings and distributable reserves, future prospects, legal and tax considerations and other factors the Board 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 186.

## 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 50 to the consolidated financial statements respectively.

# Report of the Directors

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

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

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Group were subsisting as at 31 December 2022 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 2022 are set out in Note 33 to the consolidated financial statements.

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

Pursuant to the 2019 Facility Agreement, it will be an event of default, inter alia, if: (i) the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People’s Government (“**Tianjin SASAC**”) ceases to maintain a majority shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien Group Company Limited (津聯集團有限公司) (“**Tsinlien**”).

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

The 2019 Facility had been repaid in full on 9 December 2022.

- (ii) 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 Tianjin SASAC maintain shareholding ownership directly or indirectly in the Company of more than 50%, or the Company shall under the direct or indirect management control of 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)

- (iii) On 7 December 2022, the Company entered into a facility agreement (the “**2022 Facility Agreement**”) with a syndicate of banks as lenders (the “**Lenders**”) 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 Lenders 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.

## 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 2022.

## DIRECTORS

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

### Executive Directors

Mr. Wang Gang ( <i>Chairman</i> )	(appointed on 7 January 2022)
Dr. Li Xiaoguang ( <i>General Manager</i> )	
Mr. Teng Fei	(appointed on 30 March 2023)
Mr. Zhuang Qifei	(resigned on 30 March 2023)
Mr. Zhang Bingjun	(resigned on 7 January 2022)

### Non-Executive Directors

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

### Independent Non-Executive Directors

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

In accordance with article 92 of the Company’s articles of association, Mr. Teng Fei, Mr. Sun Lijun, Mr. Lau Ka Keung and Mr. Sin Hendrick will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

# Report of the Directors

## DIRECTORS (Continued)

In accordance with article 101 of the Company's articles of association, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander and Dr. Loke Yu will retire from office by rotation at the forthcoming annual general meeting and will not offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 22.

A list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website ([www.tianjindev.com](http://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. Wang Gang and Mr. Cui Xiaofei 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 2022, 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 2022 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 2022, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tianjin 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 85%-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.
- As at 31 December 2022, 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 2022, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

# Report of the Directors

## MANAGEMENT CONTRACTS

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

## 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 Group Co., Ltd. (天津市醫藥集團有限公司) (“**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 2022, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB57,410,000 (equivalent to HK\$66,834,000), which is within the annual cap of RMB90,000,000 (equivalent to HK\$104,773,000).

## CONTINUING 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 2022, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB33,866,000 (equivalent to HK\$39,425,000), which is within the cap amount of RMB80,000,000 (equivalent to HK\$93,132,000).

### (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;

## CONTINUING CONNECTED TRANSACTIONS (Continued)

### (iii) Master Purchase Agreement (Continued)

- (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.

For the year ended 31 December 2022, the total amount paid by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB1,008,000 (equivalent to HK\$1,173,000), which is within the cap amount of RMB9,000,000 (equivalent to HK\$10,477,000).

### (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 2022, the total amount paid by the Group to TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB11,742,000 (equivalent to HK\$13,669,000), which is within the cap amount of RMB15,000,000 (equivalent to HK\$17,462,000).

### (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 2022, 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\$10,850,000), which is within the cap amount of RMB11,000,000 (equivalent to HK\$12,806,000).

## 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 2022, the total amount paid by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB1,133,861,000 (equivalent to HK\$1,319,978,000), which is within the annual cap of RMB1,350,000,000 (equivalent to HK\$1,571,595,000).

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. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions 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 13% 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                  | 31% |
| – five largest suppliers in aggregation | 59% |

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 14 to the Listing Rules throughout the year ended 31 December 2022, except for the deviations as disclosed in the Corporate Governance Report as set out on page 42.

## SUFFICIENCY OF PUBLIC FLOAT

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

## INDEPENDENT AUDITOR

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

By Order of the Board

**Wang Gang**

*Chairman and Executive Director*

Hong Kong, 30 March 2023



## 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 70 to 185, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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

***Impairment assessment of an investment accounted for using the equity method – Tianjin Port Development Holdings Limited (“Tianjin Port”)***

We identified the impairment assessment of an investment accounted for using the equity method – Tianjin Port as a key audit matter due to the fact that the carrying value of the Group's interest therein, including goodwill, exceeded the market value at the end of the reporting period.

In estimating the value in use of the Group's interest, significant judgement has been exercised in the preparation of the discounted cash flows which require the estimation of key assumptions and inputs including discount rate, growth rate and expected dividend income.

Further details of the impairment assessment are set out in Note 21 to the consolidated financial statements.

Our procedures in relation to the impairment assessment of an investment accounted for using the equity method – Tianjin Port included:

- Obtaining an understanding of the process over the impairment assessment and evaluating the appropriateness of the key assumptions in the discounted cash flows including the discount rate, growth rate and expected dividend income by discussing with management about Tianjin Port's business prospects and with reference to the future outlook and relevant industry growth forecast and historical dividend pay-out pattern of Tianjin Port and performing sensitivity analysis; and
- Evaluating the historical accuracy of the cash flow forecast by comparing historical financial performance of Tianjin Port to the actual result and obtaining explanation from management for any significant exceptions.

## OTHER INFORMATION

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

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

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

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

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

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

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

# 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  
30 March 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>			
Revenue	4	<b>3,705,129</b>	3,540,957
Cost of sales		<b>(2,694,652)</b>	(2,525,599)
Gross profit		<b>1,010,477</b>	1,015,358
Other income	5	<b>330,787</b>	305,433
Other gains and losses, net	6	<b>(158,638)</b>	15,343
Selling and distribution expenses		<b>(410,354)</b>	(441,660)
General and administrative expenses		<b>(442,959)</b>	(558,918)
Other operating expenses		<b>(149,775)</b>	(161,238)
Finance costs	7	<b>(82,495)</b>	(48,977)
Share of net profit of associates and joint venture accounted for using the equity method	17	<b>457,000</b>	555,655
Profit before tax		<b>554,043</b>	680,996
Tax expense	9	<b>(49,889)</b>	(41,717)
Profit for the year from continuing operations		<b>504,154</b>	639,279
<b>Presses and mechanical equipment business</b>			
Gain on disposal of subsidiaries	8	–	12,665
Loss for the year	8	–	(58,977)
Loss for the year from presses and mechanical equipment business		–	(46,312)
Profit for the year	10	<b>504,154</b>	592,967

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Profit (loss) for the year attributable to owners of the Company			
– from continuing operations		<b>358,162</b>	496,882
– from presses and mechanical equipment business		–	(26,503)
Profit for the year attributable to owners of the Company		<b>358,162</b>	470,379
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		<b>145,992</b>	142,397
– from presses and mechanical equipment business		–	(19,809)
Profit for the year attributable to non-controlling interests		<b>145,992</b>	122,588
		<b>504,154</b>	592,967
		<b>HK cents</b>	HK cents
Earnings per share	13		
<b>Basic</b>			
– continuing operations and presses and mechanical equipment business		<b>33.39</b>	43.85
– continuing operations		<b>33.39</b>	46.32
<b>Diluted</b>			
– continuing operations and presses and mechanical equipment business		<b>33.38</b>	43.85
– continuing operations		<b>33.38</b>	46.32

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Profit for the year		<b>504,154</b>	592,967
<b>Other comprehensive (expense) income</b>			
<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	19	<b>(445,991)</b>	17,349
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		<b>66,485</b>	775
Share of other comprehensive expense of investments accounted for using the equity method – fair value through other comprehensive income reserve, net of tax		<b>(7,356)</b>	(20,682)
Currency translation differences			
– the Group		<b>(893,877)</b>	221,046
– investments accounted for using the equity method		<b>(543,703)</b>	175,731
Other comprehensive (expense) income for the year		<b>(1,824,442)</b>	394,219
Total comprehensive (expense) income for the year		<b>(1,320,288)</b>	987,186
Attributable to:			
Owners of the Company		<b>(808,584)</b>	708,679
Non-controlling interests		<b>(511,704)</b>	278,507
		<b>(1,320,288)</b>	987,186

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,264,579	2,654,028
Land use rights	15	490,418	524,336
Investment properties	16	218,589	242,054
Investments accounted for using the equity method	17	6,743,298	7,238,272
Intangible assets	18	1,081	1,448
Finance lease receivables	20	127,248	121,822
Deposits paid for acquisition of property, plant and equipment		2,572	1,775
Deferred tax assets	34	80,845	62,285
Equity instruments at fair value through other comprehensive income	19	1,281,781	1,859,691
		<b>11,210,411</b>	12,705,711
<b>Current assets</b>			
Inventories	22	340,265	444,339
Amounts due from investments accounted for using the equity method	23	13,425	14,602
Amount due from ultimate holding company	23	1,131	181
Amounts due from related companies	24	62,879	197,433
Contract assets	25	114,250	66,760
Finance lease receivables	20	–	97,372
Trade receivables	26	1,371,974	1,123,831
Other receivables, deposits and prepayments	26	192,012	742,623
Financial assets at fair value through profit or loss	27	487,559	401,047
Entrusted deposits	28	1,133,865	702,016
Restricted bank balances	29	178,853	118,993
Time deposits with maturity over three months	29	2,498,153	2,844,265
Cash and cash equivalents	29	3,661,450	3,998,814
		<b>10,055,816</b>	10,752,276
<b>Total assets</b>		<b>21,266,227</b>	23,457,987
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital	30	5,136,285	5,136,285
Reserves	31	6,879,701	7,762,408
		<b>12,015,986</b>	12,898,693
<b>Non-controlling interests</b>		<b>4,413,294</b>	4,976,965
<b>Total equity</b>		<b>16,429,280</b>	17,875,658

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	38	10,257	8,909
Bank borrowings	33	1,564,639	–
Deferred tax liabilities	34	158,992	242,610
		<b>1,733,888</b>	251,519
<b>Current liabilities</b>			
Trade payables	35	842,894	569,826
Other payables and accruals	36	1,221,556	1,303,046
Amounts due to related companies	24	204,814	167,961
Contract liabilities	37	742,573	897,184
Lease liabilities	38	8,319	4,500
Bank borrowings	33	–	2,302,263
Current tax liabilities		82,903	86,030
		<b>3,103,059</b>	5,330,810
<b>Total liabilities</b>		<b>4,836,947</b>	5,582,329
<b>Total equity and liabilities</b>		<b>21,266,227</b>	23,457,987
<b>Net current assets</b>		<b>6,952,757</b>	5,421,466
<b>Total assets less current liabilities</b>		<b>18,163,168</b>	18,127,177

The consolidated financial statements on pages 70 to 185 were approved and authorised for issue by the board of directors of the Company on 30 March 2023 and are signed on its behalf by:

**Wang Gang**  
DIRECTOR

**Li Xiaoguang**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000 (Note 31)	Retained earnings HK\$'000	Sub-total HK\$'000		
		At 1 January 2021	5,136,285	556,201	6,569,172		
Profit for the year		–	–	470,379	470,379	122,588	592,967
Other comprehensive income for the year		–	238,300	–	238,300	155,919	394,219
Total comprehensive income for the year		–	238,300	470,379	708,679	278,507	987,186
Dividends	12	–	–	(88,289)	(88,289)	(20,418)	(108,707)
Disposal of subsidiaries	8	–	(19,123)	19,123	–	(69,894)	(69,894)
Transfer between reserves		–	39,913	(39,913)	–	–	–
Others		–	16,645	–	16,645	9,647	26,292
		–	37,435	(109,079)	(71,644)	(80,665)	(152,309)
At 31 December 2021		5,136,285	831,936	6,930,472	12,898,693	4,976,965	17,875,658
Profit for the year		–	–	<b>358,162</b>	<b>358,162</b>	<b>145,992</b>	<b>504,154</b>
Other comprehensive expense for the year		–	<b>(1,166,746)</b>	–	<b>(1,166,746)</b>	<b>(657,696)</b>	<b>(1,824,442)</b>
Total comprehensive (expense) income for the year		–	<b>(1,166,746)</b>	<b>358,162</b>	<b>(808,584)</b>	<b>(511,704)</b>	<b>(1,320,288)</b>
Dividends	12	–	–	<b>(96,013)</b>	<b>(96,013)</b>	<b>(53,096)</b>	<b>(149,109)</b>
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	32	–	–	–	–	<b>583</b>	<b>583</b>
Transfer between reserves		–	<b>16,559</b>	<b>(16,559)</b>	–	–	–
Others		–	<b>21,890</b>	–	<b>21,890</b>	<b>546</b>	<b>22,436</b>
		–	<b>38,449</b>	<b>(112,572)</b>	<b>(74,123)</b>	<b>(51,967)</b>	<b>(126,090)</b>
At 31 December 2022		<b>5,136,285</b>	<b>(296,361)</b>	<b>7,176,062</b>	<b>12,015,986</b>	<b>4,413,294</b>	<b>16,429,280</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from (used in) operations	42	347,085	(257,954)
PRC income tax paid		(66,618)	(89,414)
Interest paid		(82,143)	(48,613)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>		<b>198,324</b>	<b>(395,981)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from redemption of entrusted deposits		656,388	1,138,191
Dividends received from associates and joint venture		421,498	323,725
Disposal of subsidiaries	26(f), 8	415,616	84,720
Interest received		216,855	252,671
Proceeds from disposal of property, plant and equipment		133,257	6,519
Decrease (increase) in time deposits with maturity over three months		111,476	(728,994)
Dividend received from equity instruments at fair value through other comprehensive income		21,125	6,136
Proceeds from redemption of structured deposits		–	206,868
Additions of structured deposits		–	(351,388)
Purchases of intangible assets		–	(9,452)
Additions of entrusted deposits		(1,129,220)	(626,506)
Purchases of property, plant and equipment		(153,463)	(187,582)
Additions of restricted bank balances		(72,619)	(35,352)
Advances to investments accounted for using the equity method		(51)	(1,492)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>620,862</b>	<b>78,064</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings		(2,292,200)	(96,017)
Dividends paid		(149,109)	(108,707)
Repayment of lease liabilities		(9,055)	(7,396)
Drawdown of bank borrowings		1,564,265	54,217
Amount received from restricted shares incentive scheme of a subsidiary		23,526	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(862,573)</b>	<b>(157,903)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(43,387)</b>	<b>(475,820)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>3,998,814</b>	<b>4,330,691</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(293,977)</b>	<b>143,943</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>3,661,450</b>	<b>3,998,814</b>
Represented by:			
Cash and cash equivalents		3,661,450	3,998,814

## 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 presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments accounted for using the equity method which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin, the People’s Republic of China (the “**PRC**”). During the year ended 31 December 2021, the Group disposed of a subsidiary, Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) (“**Tianjin Tianduan**”), therefore, discontinued its presses and mechanical business, further details of which are set out in Note 8.

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 SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). 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**”).

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation of consolidated financial statements (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment” (“**HKFRS 2**”), leasing transactions that are accounted for in accordance with HKFRS 16 “Leases” (“**HKFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“**HKAS 36**”).

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation of consolidated financial statements (Continued)

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the 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.

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation of consolidated financial statements (Continued)

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

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

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”*

HKAS 1 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. 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 is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

#### *Amendments to HKAS 8 “Definition of Accounting Estimates”*

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 – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (“**HKAS 8**”) is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation of consolidated financial statements (Continued)

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

##### *Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” (“**HKAS 12**”) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 2(o) to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$18,202,000 and HK\$18,576,000, respectively.

### Significant accounting policies

The principal accounting policies are set out below.

#### (a) Group accounting

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

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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

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

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 “Provision, Contingent Liabilities and Contingent Assets” (“**HKAS 37**”) or HK(IFRIC)-Int 21 “Levies” (“**HK(IFRIC)-Int 21**”), in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 “Employee Benefits”, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (“**HKFRS 5**”) are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

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

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

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

##### (ii) 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.

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

##### (ii) Subsidiaries (Continued)

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### (iii) Associates and joint ventures

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

##### (iii) 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

##### (iii) Associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (a) Group accounting (Continued)

##### (iv) Non-controlling interests

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

##### (v) Goodwill

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (b) Segment reporting

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

#### (c) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (the “**functional currency**”). The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the Group’s presentation currency. The functional currency of the Company and the Group’s principal subsidiaries in the PRC is Renminbi (“**RMB**”).

The directors of the Company consider that presentation of the consolidated financial statements in Hong Kong dollar will facilitate analysis of the financial information of the Group.

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Translation differences on non-monetary financial assets at fair value through profit or loss (“**FVTPL**”) is reported as part of the fair value gain or loss. Translation differences on non-monetary equity instruments at fair value through other comprehensive income (“**FVTOCI**”) are included in equity.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (c) Foreign currency translation (Continued)

##### (iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

#### (d) Property, plant and equipment

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

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. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (d) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are recognised in profit or loss during the financial period in which they are incurred.

The assets' depreciation method, residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

#### (e) Land use rights

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (f) Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If an investment property became own-occupied property because its use has changed, it transfers to property, plant and equipment and right-of-use assets (included in the land use rights), respectively, which are stated at their respective fair value at the date of change in use. Any increase or decrease in the fair value of that item (including the relevant leasehold land) at the date of transfer is recognised in profit or loss.

#### (g) Intangible assets

##### *Internally-generated intangible assets – research and development expenditure*

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

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

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (g) Intangible assets (Continued)

##### *Internally-generated intangible assets – research and development expenditure (Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

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

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.

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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers” (“**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 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.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at 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.

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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

#### (b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve (included in 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.

#### (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*

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.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

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

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.

#### (a) Significant increase in credit risk

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

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

#### (a) Significant increase in credit risk (Continued)

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

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

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

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

#### (b) Definition of default

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

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

#### (c) Credit-impaired financial assets

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

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### (d) Write-off policy

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial assets (Continued)*

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

#### (e) Measurement and recognition of ECL

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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

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

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

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (i) 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.

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of production overheads determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. 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.

#### (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) Share capital

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

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

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

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

#### (o) Current and deferred income tax

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (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.

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

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (o) Current and deferred income tax (Continued)

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

#### (p) Employee benefits

##### (i) Retirement benefit costs

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.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (p) Employee benefits (Continued)

##### (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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (q) Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (q) Revenue from contracts with customers (Continued)

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

##### Output method

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

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

##### Input method

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

#### (r) Borrowing costs

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

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

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (s) 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.

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

##### *As a lessee*

##### *Short-term leases*

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (s) Leases (Continued)

##### *As a lessee (Continued)*

##### Right-of-use assets (Continued)

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.

##### 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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (s) Leases (Continued)

##### *As a lessee (Continued)*

##### Lease liabilities (Continued)

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.

##### Refundable rental deposits

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (s) Leases (Continued)

##### *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.

#### (t) Dividend distribution

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

#### (u) 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.

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).

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Significant accounting policies (Continued)

#### (u) Contingent liabilities (Continued)

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.

#### (v) 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.

## 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.

## 3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (Continued)

### 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 2022, 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 2022) of the Group's attributable holding therein by approximately HK\$2,872,059,000 (2021: approximately HK\$3,059,985,000). The carrying value of the Group's interest in Tianjin Port is approximately HK\$3,609,172,000, net of impairment loss of approximately HK\$300,000,000 (2021: approximately HK\$3,861,757,000, net of impairment loss of approximately 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 21.

#### (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 2022 (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 2022. While the directors of the Company are of the opinion that the government supplemental income for the year ended 31 December 2022 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) 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 25, 26 and 43.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

#### (d) Fair value measurements and valuation processes

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK\$1,176,459,000 as at 31 December 2022 (2021: HK\$1,751,252,000) (Note 19) 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.

#### (e) 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.

#### (f) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2022 and 2021 at their fair values, details of which are disclosed in Note 16. The fair values of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions, 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.

## 4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by 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, and 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 presses, mechanical and hydroelectric equipment as well as large scale pump units.

### (e) Port services

The result of this segment is contributed by a listed investment accounted for using the equity method of the Group, Tianjin Port, which provides port services in Tianjin.

### (f) Elevators and escalators

The result of this segment is contributed by an investment accounted for using the equity method of the Group, Otis 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 2022

## 4. SEGMENT INFORMATION (Continued)

### Disaggregation of revenue from contracts with customers

For the year ended 31 December 2022

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SEGMENT INFORMATION (Continued)

### Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2021

Segments	Continuing operations					Sub-total HK\$'000	Presses and mechanical equipment business HK\$'000	Total HK\$'000
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000				
<b>Types of goods or services</b>								
<b>Utilities</b>								
Water	348,774	-	-	-	348,774	-	348,774	
Heat and thermal power	1,304,902	-	-	-	1,304,902	-	1,304,902	
	1,653,676	-	-	-	1,653,676	-	1,653,676	
<b>Pharmaceutical</b>								
Manufacture and sales of pharmaceutical products	-	1,306,698	-	-	1,306,698	-	1,306,698	
Design, manufacture and printing for pharmaceutical packaging	-	157,723	-	-	157,723	-	157,723	
	-	1,464,421	-	-	1,464,421	-	1,464,421	
<b>Hotel</b>								
	-	-	57,224	-	57,224	-	57,224	
<b>Electrical and mechanical</b>								
Manufacture and sales of presses and mechanical equipment	-	-	-	-	-	444,156	444,156	
Manufacture and sales of hydroelectric equipment and large scale pump units	-	-	-	365,636	365,636	-	365,636	
	-	-	-	365,636	365,636	444,156	809,792	
	1,653,676	1,464,421	57,224	365,636	3,540,957	444,156	3,985,113	
<b>Timing of revenue recognition</b>								
A point in time	1,653,676	1,464,421	-	-	3,118,097	444,156	3,562,253	
Over time	-	-	57,224	365,636	422,860	-	422,860	
	1,653,676	1,464,421	57,224	365,636	3,540,957	444,156	3,985,113	

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 4. SEGMENT INFORMATION (Continued)

### Performance obligations for contracts with customers

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.
- Revenue from manufacture and sales of presses and mechanical equipment are recognised at a point in time when the control of the goods has been transferred to customers upon delivery.
- Manufacture and sales of hydroelectric equipment and large scale pump units are recognised as revenue over the construction period based on the progress of work that creates or enhances such equipment by using input method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results

For the year ended 31 December 2022

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and result (Continued)

For the year ended 31 December 2021

	Continuing operations							Presses and mechanical equipment business HK\$'000	Total operating segments HK\$'000
	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Sub-total HK\$'000		
Segment revenue – external customers	1,653,676	1,464,421	57,224	365,636	-	-	3,540,957	444,156	3,985,113
Operating (loss) profit before interest	(4,645)	20,927	(12,209)	(58,725)	-	-	(54,652)	(59,676)	(114,328)
Interest income	31,385	140,130	-	964	-	-	172,479	5,136	177,615
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	12,665	12,665
Finance costs	-	(370)	-	(14,292)	-	-	(14,662)	-	(14,662)
Share of net profit (loss) of associates and joint venture accounted for using the equity method	42,643	(35,173)	-	-	193,656	357,134	558,260	-	558,260
Profit (loss) before tax	69,383	125,514	(12,209)	(72,053)	193,656	357,134	661,425	(41,875)	619,550
Tax (expense) credit	(3,765)	(21,371)	3,617	1,178	-	-	(20,341)	(4,437)	(24,778)
Segment results – profit (loss) for the year	65,618	104,143	(8,592)	(70,875)	193,656	357,134	641,084	(46,312)	594,772
Non-controlling interests	(2,011)	(83,578)	-	12,232	-	(61,641)	(134,998)	19,809	(115,189)
Profit (loss) attributable to owners of the Company	63,607	20,565	(8,592)	(58,643)	193,656	295,493	506,086	(26,503)	479,583
Segment results – profit (loss) for the year includes:									
Depreciation and amortisation	47,525	82,533	15,135	29,005	-	-	174,198	30,950	205,148

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and result (Continued)

	2022 HK\$'000	2021 HK\$'000
Reconciliation of profit for the year		
Total reportable segments	654,927	594,772
Corporate and others (note (ii))	(150,773)	(1,805)
Profit for the year	504,154	592,967

notes:

- (i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK\$326,962,000 and HK\$1,532,269,000, respectively (2021: HK\$348,774,000 and HK\$1,304,902,000, respectively).  
The above revenue included government supplemental income of HK\$632,061,000 (2021: HK\$341,313,000).
- (ii) These principally include (a) results of the Group's other non-core businesses which are not categorised as reportable segments; and (b) corporate level activities including central treasury management, administrative function and exchange gain or loss.

### Segment assets and liabilities

	Continuing operations						Total reportable segments HK\$'000	Corporate and others HK\$'000 (note)	Total HK\$'000
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000			
<b>As at 31 December 2022</b>									
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

	Continuing operations						Total reportable segments HK\$'000	Corporate and others HK\$'000 (note)	Total HK\$'000
	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000			
<b>As at 31 December 2021</b>									
Segment assets	3,640,019	8,207,187	496,643	787,127	3,861,757	995,664	17,988,397	5,469,590	23,457,987
Segment liabilities	1,506,332	1,062,495	11,788	771,055	-	-	3,351,670	2,230,659	5,582,329

note: The balances represent assets and liabilities relating to corporate and other non-core businesses which are not categorised as reportable segments and principally include the attributable cash and cash equivalents, time deposits with maturity over three months, entrusted deposits, financial assets at FVTPL, property, plant and equipment, investment properties, equity instruments at FVTOCI, finance lease receivables, certain investments accounted for using the equity method and bank borrowings.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
The PRC	<b>3,627,412</b>	3,483,733
Hong Kong	<b>77,717</b>	57,224
Continuing operations	<b>3,705,129</b>	3,540,957
Presses and mechanical equipment business – the PRC	–	444,156
	<b>3,705,129</b>	3,985,113

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

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
The PRC	<b>9,300,776</b>	10,234,570
Hong Kong	<b>419,761</b>	427,343
	<b>9,720,537</b>	10,661,913

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
Interest income	254,259	270,346
Government grants	5,425	4,543
Dividend income from equity instruments at FVTOCI	21,125	6,136
Rental income, net of negligible outgoings	6,152	6,920
Sales of scrap materials	5,141	5,647
Finance lease interest income	7,968	8,893
Sundries	30,717	2,948
	<b>330,787</b>	305,433

## 6. OTHER GAINS AND LOSSES, NET

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
Net loss on disposal/written off of property, plant and equipment	(40,411)	(637)
Net exchange (losses) gains	(65,044)	22,516
(Allowance for) reversal of impairment losses (note):		
– trade receivables	(2,014)	(26,168)
– contract assets	21,747	(14,880)
– other receivables	(7,265)	590
– finance lease receivables	504	(380)
Decrease in fair value of investment properties (Note 16)	(3,260)	(2,422)
Net fair value gains (losses) on financial assets held for trading		
– listed	362	1,199
– unlisted	(63,257)	35,525
	<b>(158,638)</b>	15,343

note: Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in Note 43(b).

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
Interest expenses on bank borrowings	82,143	48,613
Interest on lease liabilities	352	364
	<b>82,495</b>	48,977

## 8. DISPOSAL OF SUBSIDIARIES

### Disposal of subsidiaries of presses and mechanical equipment business – Tianjin Tianduan

On 26 August 2021, Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司) (“**Tianjin Tai Kang**”) entered into an equity transfer agreement with Tianjin Jinzhi State-owned Assets Capital Investment Operation Co., Ltd. (天津津智國有資本投資運營有限公司) (“**Tianjin Jinzhi**”), pursuant to which Tianjin Tai Kang agreed to sell and Tianjin Jinzhi agreed to acquire 78.45% equity interest in Tianjin Tianduan at a total cash consideration of RMB510,020,000 (equivalent to approximately HK\$614,482,000). As at 31 December 2021, the Group received approximately RMB153,006,000 (equivalent to approximately HK\$184,344,000) with the remainder of approximately RMB357,014,000 (equivalent to approximately HK\$430,138,000) included in the Group’s other receivables (Note 26). As Tianjin Tianduan and its subsidiary represented a presses and mechanical equipment business in electrical and mechanical segment of the Group, the disposal constituted a discontinued operation of presses and mechanical equipment business.

The disposal was completed on 30 September 2021, on which date control of Tianjin Tianduan passed to Tianjin Jinzhi and the Group recognised a disposal gain of HK\$12,665,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 8. DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal of subsidiaries of presses and mechanical equipment business – Tianjin Tianduan (Continued)

	HK\$'000
<b>Consideration</b>	614,482
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	273,062
Land use rights	103,650
Intangible assets	24,344
Deferred tax assets	2,921
Inventories	779,229
Contract assets	62,968
Trade receivables	228,564
Other receivables, deposits and prepayments	59,165
Restricted bank balances, bank deposits, bank balances and cash	417,999
Deferred tax liabilities	(16,268)
Trade payables	(482,668)
Other payables and accruals	(45,476)
Contract liabilities	(730,064)
Current tax liabilities	(6,953)
Net assets disposed of	670,473
<b>Gain on disposal of subsidiaries:</b>	
Net assets disposed of	(670,473)
Consideration	614,482
Non-controlling interests	69,894
Transaction costs	(1,238)
Gain on disposal	12,665
<b>Net cash inflow arising on disposal:</b>	
Cash and cash equivalents disposed of	(99,624)
Consideration received	184,344
	84,720

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 8. DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal of subsidiaries of presses and mechanical equipment business – Tianjin Tianduan (Continued)

The results from presses and mechanical equipment business, which had been presented as a discontinued operation in the consolidated statement of profit or loss were set out below:

	For the period from 1 January to 30 September 2021 HK\$'000
Revenue	444,156
Cost of sales	(380,879)
Gross profit	63,277
Other income	12,602
Selling and distribution expenses	(49,646)
General and administrative expenses	(42,768)
Other operating expenses	(38,005)
Loss before tax	(54,540)
Tax expense	(4,437)
Loss for the period	(58,977)
Attributable to:	
Owner of the Company	(36,982)
Non-controlling interests	(21,995)
	(58,977)
Loss for the period from presses and mechanical equipment business includes:	
Auditor's remuneration	117

During the nine-month period ended 30 September 2021, the presses and mechanical equipment business incurred net cash flows of HK\$124,277,000 in operating activities, net cash outflows of HK\$306,111,000 in investing activities and net cash outflows of HK\$45,783,000 in financing activities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 9. TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
Current taxation		
PRC Enterprise Income Tax ("EIT")	61,681	34,854
Under provision in prior years	9,197	22,071
Deferred taxation (Note 34)	(20,989)	(15,208)
	<b>49,889</b>	41,717

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong for both 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:

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
Profit before tax	554,043	680,996
Less: share of net profit of associates and joint venture accounted for using the equity method	(457,000)	(555,655)
	<b>97,043</b>	125,341
Calculated at applicable tax rates	22,141	(1,900)
Income not subject to taxation	(40,447)	(71,573)
Expenses not deductible for taxation purposes	56,362	87,483
Underprovision in prior years	9,197	22,071
Tax losses not recognised	2,636	5,636
Tax expense	<b>49,889</b>	41,717

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 10. PROFIT FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Profit for the year from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 11)	<b>557,339</b>	576,208
Cost of inventories recognised as an expense	<b>2,057,029</b>	1,955,641
Depreciation		
– charged to cost of sales	<b>104,259</b>	128,564
– charged to administrative expenses	<b>74,644</b>	55,364
– charged to selling expenses	<b>998</b>	1,128
– charged to other operating expenses	<b>875</b>	560
Depreciation of land use rights	<b>12,259</b>	6,549
Amortisation of intangible assets	<b>255</b>	263
Short-term lease expenses on		
– plants, pipelines and networks	<b>25,289</b>	27,187
– land and buildings	<b>3,947</b>	9,903
Auditor's remuneration	<b>10,733</b>	10,671
Research and development costs charged to other operating expenses	<b>148,501</b>	157,327

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 (2021: HK\$400,000) and HK\$400,000 (2021: nil) for subsidising the restaurant operation and supporting the tourism industry of the Group's hotel have been offset against administrative expenses, respectively. In addition, Coronavirus related to government grants amounting to HK\$3,024,000 (2021: nil) have been offset against employees' benefit expense.

## 11. EMPLOYEES' BENEFITS EXPENSE

	2022 HK\$'000	2021 HK\$'000
Wages, salaries, bonus and social security costs recognised under continuing operations	<b>557,339</b>	576,208

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. 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 2022

Name of director	Fees HK\$'000	Salaries and other benefits <sup>(i)</sup> 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 <sup>(ii)</sup>	-	-	-	-	-	-
Li Xiaoguang	-	743	1,782	-	-	2,525
Zhuang Qifei <sup>(iii)</sup>	-	-	-	-	-	-
Zhang Bingjun <sup>(iv)</sup>	-	-	-	-	-	-
<i>Non-Executive Directors:</i>						
Cui Xiaofei <sup>(i)</sup>	-	-	-	-	-	-
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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 11. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

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: – continued

For the year ended 31 December 2021

Name of director	Fees HK\$'000	Salaries and other benefits <sup>(i)</sup> HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Share-based payment expense HK\$'000	Total HK\$'000
<i>Executive Directors:</i>						
Zhang Bingjun	-	-	-	-	-	-
Li Xiaoguang	-	1,041	914	-	-	1,955
Zhuang Qifei <sup>(ii)</sup>	-	-	-	-	-	-
Chen Yanhua <sup>(ii), (iv)</sup>	-	-	-	-	-	-
<i>Non-Executive Directors:</i>						
Cui Xiaofei <sup>(ii), (vi)</sup>	-	-	-	-	-	-
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	1,401	914	-	-	4,543

- (i) Other benefits include allowance, insurance premium, leave pay and gratuity on retirement.
- (ii) During the years ended 31 December 2022 and 2021, the director's emoluments were borne by respective intermediate shareholders.
- (iii) Appointed on 7 January 2022.
- (iv) Resigned on 7 January 2022.
- (v) Resigned on 22 December 2021.
- (vi) Re-designated as non-executive director on 22 December 2021.
- (vii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.
- (viii) The emoluments of non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.
- (ix) 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 2022 and 2021.
- (x) 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 2022

## 11. EMPLOYEES' BENEFITS EXPENSE (Continued)

### (b) Five highest paid individuals

The five highest paid individuals of the Group include one director (2021: one director), and his emolument is shown in Note 11(a) above. The emoluments of the remaining four (2021: four) individuals with the highest emoluments were as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Salaries and other benefits	<b>3,495</b>	3,495
Discretionary bonuses	<b>972</b>	679
Retirement scheme contributions	<b>72</b>	72
	<b>4,539</b>	4,246

The emoluments of the four (2021: four) highest paid individuals who are not the directors of the Company fell within the following bands:

	<b>2022</b>	2021
Emolument bands (HK\$)		
500,000 – 1,000,000	<b>2</b>	2
1,000,001 – 1,500,000	<b>1</b>	1
1,500,001 – 2,000,000	<b>1</b>	1
	<b>4</b>	4

### (c) Emoluments of senior management

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

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Salaries and other benefits	<b>2,274</b>	2,274
Discretionary bonuses	<b>672</b>	484
Retirement scheme contributions	<b>36</b>	36
	<b>2,982</b>	2,794

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

	<b>2022</b>	2021
Emolument bands (HK\$)		
1,000,001 – 2,000,000	<b>2</b>	2

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 12. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distribution during the year		
– 2022 interim dividend, paid – HK3.45 cents per ordinary share (2021: HK3.45 cents per ordinary share)	<b>37,011</b>	37,011
– 2021 final dividend, paid – HK5.50 cents per ordinary share (2020: HK4.78 cents per ordinary share)	<b>59,002</b>	51,278
	<b>96,013</b>	88,289

A final dividend of HK5.50 cents (2021: HK5.50 cents) per ordinary share for the year ended 31 December 2022, amounting to HK\$59,002,000 (2021: 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.

## 13. EARNINGS PER SHARE

### For continuing operations and presses and mechanical equipment business

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

#### Earnings

	2022 HK\$'000	2021 HK\$'000
Profit attributable to owners of the Company for the purpose of basic earnings per share		
– from continuing operations and presses and mechanical equipment business	<b>358,162</b>	470,379
Effect of dilutive potential ordinary shares arising from restricted shares incentive scheme of Lisheng Pharmaceutical (Note 32)	<b>(71)</b>	–
Profit attributable to owners of the Company for the purpose of diluted earnings per share		
– from continuing operations and presses and mechanical equipment business	<b>358,091</b>	470,379

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 13. EARNINGS PER SHARE (Continued)

### For continuing operations and presses and mechanical equipment business (Continued)

#### Number of shares

	2022 Thousand	2021 Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	1,072,770	1,072,770

#### For continuing operations

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

#### Earnings

	2022 HK\$'000	2021 HK\$'000
Profit attributable to owners of the Company for the purpose of basic earnings per share – from continuing operations	358,162	496,882
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 – from continuing operations	358,091	496,882

#### Number of shares

	2022 Thousand	2021 Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	1,072,770	1,072,770

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 13. EARNINGS PER SHARE (Continued)

### For presses and mechanical equipment business

For the year ended 31 December 2021, basic and diluted loss per share for presses and mechanical equipment business was HK2.47 cents per share. The calculation of the basic and diluted loss per share from presses and mechanical equipment business attributable to owners of the Company is based on the following data:

#### Loss

	2022 HK\$'000	2021 HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share – from presses and mechanical equipment business	N/A	26,503

#### Number of shares

	2022 Thousand	2021 Thousand
Number of ordinary shares for the purpose of basic and diluted loss per share	1,072,770	1,072,770

The computation of the above diluted earnings/loss per share does not assume 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 2022

## 14. 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
<b>COST</b>								
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)
<b>At 31 December 2022</b>	<b>2,397,740</b>	<b>54,026</b>	<b>2,172,537</b>	<b>169,290</b>	<b>17,557</b>	<b>40,474</b>	<b>13,177</b>	<b>4,864,801</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
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)
<b>At 31 December 2022</b>	<b>908,090</b>	<b>35,824</b>	<b>1,473,911</b>	<b>137,443</b>	<b>12,986</b>	<b>23,190</b>	<b>8,778</b>	<b>2,600,222</b>
<b>CARRYING VALUE</b>								
<b>At 31 December 2022</b>	<b>1,489,650</b>	<b>18,202</b>	<b>698,626</b>	<b>31,847</b>	<b>4,571</b>	<b>17,284</b>	<b>4,399</b>	<b>2,264,579</b>
<b>COST</b>								
At 1 January 2021	2,851,354	39,592	2,462,198	171,936	26,177	127,500	7,392	5,686,149
Exchange differences	71,440	346	67,245	3,853	577	4,923	253	148,637
Additions	6,578	552	69,642	4,941	38	111,338	1,050	194,139
Transfers	16,730	-	14,137	-	-	(30,867)	-	-
Disposals/write off	(3,226)	-	(32,686)	(1,998)	(4,208)	-	(84)	(42,202)
Disposal of subsidiaries (Note 8)	(299,996)	-	(236,343)	(229)	(601)	-	(178)	(537,347)
<b>At 31 December 2021</b>	<b>2,642,880</b>	<b>40,490</b>	<b>2,344,193</b>	<b>178,503</b>	<b>21,983</b>	<b>212,894</b>	<b>8,433</b>	<b>5,449,376</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 January 2021	985,850	18,698	1,619,547	135,581	20,802	24,595	1,331	2,806,404
Exchange differences	25,123	87	40,483	2,949	425	722	3,934	73,723
Charge for the year	86,221	8,590	110,474	6,691	38	-	2,538	214,552
Disposals/write off	-	-	(29,417)	(1,937)	(3,613)	-	(79)	(35,046)
Disposal of subsidiaries (Note 8)	(99,319)	-	(162,173)	(1,519)	(1,020)	-	(254)	(264,285)
<b>At 31 December 2021</b>	<b>997,875</b>	<b>27,375</b>	<b>1,578,914</b>	<b>141,765</b>	<b>16,632</b>	<b>25,317</b>	<b>7,470</b>	<b>2,795,348</b>
<b>CARRYING VALUE</b>								
<b>At 31 December 2021</b>	<b>1,645,005</b>	<b>13,115</b>	<b>765,279</b>	<b>36,738</b>	<b>5,351</b>	<b>187,577</b>	<b>963</b>	<b>2,654,028</b>

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

notes:

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

Buildings	10 – 40 years
Leased properties	Over the lease term
Plant and machinery	3 – 25 years
Leasehold improvements, furniture and equipment	3 – 10 years
Motor vehicles	5 – 12 years
Others	5 – 10 years

- (b) As at 31 December 2021, buildings with a carrying amount of approximately HK\$339,875,000 have been pledged to secure banking borrowings.

- (c) The Group as lessee

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

	<b>Leased properties</b>	
	<b>HK\$'000</b>	
<b>As at 31 December 2022</b>		
Carrying amount		<b>18,202</b>
As at 31 December 2021		
Carrying amount		13,115
<b>For the year ended 31 December 2022</b>		
Depreciation charged		<b>8,811</b>
For the year ended 31 December 2021		
Depreciation charged		8,590
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Total cash outflows for leases	<b>38,291</b>	44,486
Additions to right-of-use-assets	<b>14,593</b>	552

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

notes: (Continued)

(c) The Group as lessee (Continued)

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 (2021: 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 2022, included in the leased properties of property, plant and equipment are i.) offices of HK\$11,546,000 (2021: HK\$4,638,000); and ii.) a warehouse of HK\$6,656,000 (2021: HK\$8,477,000).

In addition, lease liabilities of HK\$14,593,000 (2021: HK\$552,000) are recognised with related right-of-use assets of HK\$14,593,000 (2021: HK\$552,000) during the year ended 31 December 2022.

As at 31 December 2022, the carrying amount of right-of-use assets and lease liabilities were HK\$18,202,000 (2021: HK\$13,115,000) and HK\$18,576,000 (2021: HK\$13,409,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) As the electrical and mechanical segment continues its trajectory of improving operating performance, the directors of the Company opined that there is no indication of impairment on its non-current assets, including building and land use right set out in Notes 14 and 15, respectively.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 15. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid lease payments related to leases of between 10 to 50 years in the PRC. The leasehold land of the Group is situated in Hong Kong with a long lease.

As at 31 December 2021, land use rights with a carrying amount of approximately HK\$68,836,000 have been pledged to secure banking borrowings granted to the Group.

During the year ended 31 December 2021, the Group disposed of land use rights with a carrying value of HK\$103,650,000 upon disposal of subsidiaries. Further details are set out in Note 8.

### The Group as lessee

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

	Leasehold land HK\$'000	Land use rights HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>			
Carrying amount	260,726	229,692	490,418
As at 31 December 2021			
Carrying amount	261,024	263,312	524,336
<b>For the year ended 31 December 2022</b>			
Depreciation charged	298	11,961	12,259
For the year ended 31 December 2021			
Depreciation charged	297	8,266	8,563

## 16. INVESTMENT PROPERTIES

	HK\$'000
<b>FAIR VALUE</b>	
At 1 January 2021	237,542
Decrease in fair value recognised in profit or loss (Note 6)	(2,422)
Exchange differences	6,934
At 31 December 2021	242,054
Decrease in fair value recognised in profit or loss (Note 6)	(3,260)
Exchange differences	(20,205)
<b>At 31 December 2022</b>	<b>218,589</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. INVESTMENT PROPERTIES (Continued)

notes:

- (a) The investment properties represent land and buildings in the PRC.
- (b) All of the Group's property interests held to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.
- (c) The fair values as at 31 December 2022 and 2021 have been arrived at based on a valuation carried out by Vigers Appraisal and Consulting Limited ("Vigers"), 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.
- (d) In estimating the fair value of the properties, the highest and best use of the properties is their current use.
- (e) Following are the key inputs used in valuing the investment properties:

Description	Fair value hierarchy	Fair value at 31 December		Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
		2022 HK\$'000	2021 HK\$'000				
Property 1 in Tianjin	Level 3	100,784	112,103	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 7,783 (2021: 5%-5.5%; 331.07 and 8,108)	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	61,702	70,049	Market comparable approach	Selling price per square meter in RMB	5,400-7,278 (2021: 5,907-6,126)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	56,103	59,902	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 3,346 (2021: 5%-5.5%; 246.98 and 3,235)	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
		218,589	242,054				

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 HK\$'000	2021 HK\$'000
The Group's interests in associates and joint venture		
– Listed shares in Hong Kong		
– Tianjin Port	<b>3,609,172</b>	3,861,757
– Unlisted shares in the PRC		
– Otis China	<b>980,014</b>	995,664
– Research Institute	<b>722,280</b>	868,614
– TEDA Power	<b>1,350,016</b>	1,425,533
– Others	<b>81,816</b>	86,704
	<b>6,743,298</b>	7,238,272
Market value of listed shares		
– Tianjin Port	<b>737,113</b>	801,772

Share of associates' and joint venture's taxation for the year ended 31 December 2022 of HK\$189,028,000 (2021: HK\$197,469,000) 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 21.

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 2022 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 2022 HK\$'000	At 31 December 2021 HK\$'000						
Current assets	<b>10,244,863</b>	12,268,385	<b>15,755,100</b>	17,692,195	<b>1,138,328</b>	1,226,819	<b>2,293,017</b>	2,334,870
Non-current assets	<b>31,927,190</b>	34,051,467	<b>3,924,931</b>	3,548,540	<b>2,331,253</b>	2,469,776	<b>1,571,240</b>	1,586,946
Current liabilities	<b>(7,787,825)</b>	(10,062,844)	<b>(14,530,288)</b>	(15,995,068)	<b>(654,093)</b>	(660,630)	<b>(742,960)</b>	(721,308)
Non-current liabilities	<b>(4,758,140)</b>	(5,721,752)	<b>(21,348)</b>	(23,764)	<b>(640,245)</b>	(393,748)	<b>(284,108)</b>	(202,100)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. 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
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>13,009,754</b>	17,360,010	<b>25,049,748</b>	26,935,127	<b>748,583</b>	838,970	<b>2,581,158</b>	2,488,097
Profit (loss) for the year, attributable to owners of the associate	<b>333,056</b>	922,167	<b>1,965,053</b>	1,785,673	<b>(217,394)</b>	(146,849)	<b>127,005</b>	90,556
Other comprehensive (expense) income for the year, attributable to owners of the associate	<b>(1,263,282)</b>	287,541	<b>(446,015)</b>	134,450	<b>(191,593)</b>	72,053	<b>(258,816)</b>	85,320
Total comprehensive (expenses) income for the year, attributable to owners of the associate	<b>(930,226)</b>	1,209,708	<b>1,519,038</b>	1,920,123	<b>(408,987)</b>	(74,796)	<b>(131,811)</b>	175,876
Dividends received from associates during the year	<b>77,461</b>	53,402	<b>322,348</b>	252,582	-	-	<b>13,848</b>	10,657

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
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity attributable to owners of the associate	<b>13,244,458</b>	14,444,590	<b>4,882,484</b>	4,975,186	<b>2,072,337</b>	2,481,324	<b>2,837,189</b>	2,998,408
Proportion of the Group's ownership interest in the associate	<b>2,781,336</b>	3,033,364	<b>976,497</b>	995,037	<b>725,318</b>	868,463	<b>1,336,033</b>	1,411,950
Goodwill	<b>820,729</b>	820,729	-	-	-	-	-	-
Other adjustments	<b>7,107</b>	7,664	<b>3,517</b>	627	<b>(3,038)</b>	151	<b>13,983</b>	13,583
Carrying amount of the Group's interest in the associate	<b>3,609,172</b>	3,861,757	<b>980,014</b>	995,664	<b>722,280</b>	868,614	<b>1,350,016</b>	1,425,533

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
The Group's share of profit	10,329	13,618
The Group's share of other comprehensive (expenses) income	(7,376)	2,380
The Group's share of total comprehensive income	2,953	15,998
Aggregate carrying amount of the Group's interests in these investments	81,816	86,704
Dividends received from associates and joint venture	7,841	7,084

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 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
The unrecognised owner's share of loss of an investment accounted for using the equity method	(4,995)	–
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	(4,995)	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 18. INTANGIBLE ASSETS

	<b>Development costs</b> <b>HK\$'000</b> (note (i))	<b>Patents</b> <b>HK\$'000</b> (note (ii))	<b>Technical know-how</b> <b>HK\$'000</b> (note (iii))	<b>Total</b> <b>HK\$'000</b>
<b>COST</b>				
At 1 January 2021	34,456	245,830	14,679	294,965
Addition	–	–	9,452	9,452
Exchange differences	498	13,228	213	13,939
Disposal of subsidiaries (Note 8)	(34,954)	(140,083)	(24,344)	(199,381)
At 31 December 2021	–	<b>118,975</b>	–	<b>118,975</b>
Exchange differences	–	<b>(17,385)</b>	–	<b>(17,385)</b>
<b>At 31 December 2022</b>	–	<b>101,590</b>	–	<b>101,590</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
At 1 January 2021	34,456	244,164	–	278,620
Exchange differences	498	13,183	–	13,681
Charge for the year	–	263	–	263
Disposal of subsidiaries (Note 8)	(34,954)	(140,083)	–	(175,037)
At 31 December 2021	–	<b>117,527</b>	–	<b>117,527</b>
Exchange differences	–	<b>(17,273)</b>	–	<b>(17,273)</b>
Charge for the year	–	<b>255</b>	–	<b>255</b>
<b>At 31 December 2022</b>	–	<b>100,509</b>	–	<b>100,509</b>
<b>CARRYING VALUE</b>				
<b>At 31 December 2022</b>	–	<b>1,081</b>	–	<b>1,081</b>
At 31 December 2021	–	1,448	–	1,448

notes:

- (i) Development costs represented costs incurred by the Group for the design and development of new production systems under the electrical and mechanical segment.
- (ii) Patents were acquired and received by the Group through the acquisitions of subsidiaries and in the form of return of capital from an associate in prior years.
- (iii) Technical know-how of the pharmaceutical segment was acquired separately and would be amortised over their expected useful lives when it is available for use.

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

Development costs	3 years
Patents	10 to 11 years

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	notes	2022 HK\$'000	2021 HK\$'000
<b>Equity securities</b>			
Listed, at market value	(i)	<b>105,322</b>	108,439
Unlisted	(ii)	<b>1,176,459</b>	1,751,252
		<b>1,281,781</b>	1,859,691
			<b>HK\$'000</b>
At 1 January 2021			1,791,755
Exchange differences			50,587
Change in fair value			17,349
At 31 December 2021			<b>1,859,691</b>
Exchange differences			<b>(131,919)</b>
Change in fair value			<b>(445,991)</b>
<b>At 31 December 2022</b>			<b>1,281,781</b>

notes:

- (i) The listed securities mainly represent the Group's 4.07% (2021: 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 2022, the market value of the Group's equity interest in Binhai Investment was HK\$86,493,000 (2021: HK\$87,043,000) and the unrealised fair value loss of HK\$550,000 (2021: gain of HK\$21,485,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's 12.15% (2021: 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.

## 20. 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 (2021: from 3 to 4 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 2022, finance lease receivables amounted to HK\$127,248,000 (2021: HK\$219,194,000), net of allowance for credit losses of HK\$300,000 (2021: HK\$855,000).

	<b>Minimum lease payments 2022 HK\$'000</b>	<b>Present value of minimum lease payments 2022 HK\$'000</b>	Minimum lease payments 2021 HK\$'000	Present value of minimum lease payments 2021 HK\$'000
Finance lease receivables comprise:				
Within one year	–	–	99,051	97,372
More than one year but not more than two years	<b>118,602</b>	<b>111,802</b>	–	–
More than two years	<b>17,696</b>	<b>15,446</b>	140,593	121,822
Gross investment in the lease	<b>136,298</b>	<b>127,248</b>	239,644	219,194
Less: unearned finance income	<b>(9,050)</b>	–	(20,450)	–
Present value of minimum lease payment receivables	<b>127,248</b>	<b>127,248</b>	219,194	219,194
Analysed as:				
Current		–		97,372
Non-current		<b>127,248</b>		121,822
		<b>127,248</b>		219,194

Interest rates implicit in the above finance leases ranging from 5.4% to 5.5% per annum (2021: from 4.8% 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.

Finance lease receivables are secured over the machinery leased and certain finance lease receivables are guaranteed by related parties of customers. As at 31 December 2022, no finance lease receivables (2021: HK\$97,372,000) are due from related parties.

Details of impairment assessment are set out in Note 43.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 21. IMPAIRMENT TESTING ON AN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK\$737,113,000 (2021: HK\$801,772,000) 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 2022, 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 3.7% (2021: 3.9%) per annum growth rate with a discount rate of 5.1% (2021: 5.5%) 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.

## 22. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	106,618	191,201
Work in progress	87,677	98,595
Finished goods	142,617	149,902
Consumable stocks	3,353	4,641
	<b>340,265</b>	444,339

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

	2022 HK\$'000	2021 HK\$'000	At 1 January 2021 HK\$'000	Maximum amount outstanding during the year 2022 HK\$'000	2021 HK\$'000
Amounts due from investments accounted for using the equity method	13,425	14,602	12,715	14,602	14,602
Amounts due from ultimate holding company	1,131	181	235	1,131	235

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2022 HK\$'000	2021 HK\$'000	At 1 January 2021 HK\$'000	Maximum amount outstanding during the year	
				2022 HK\$'000	2021 HK\$'000
Amounts due from related companies	62,879	197,433	80,530	197,433	197,433
Amounts due to related companies	204,814	167,961			

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).

## 25. CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Machinery construction contracts	114,250	66,760

As at 1 January 2021, contract assets amounted to HK\$191,650,000.

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 2022, included in contract assets are retentions of HK\$22,460,000 (2021: HK\$8,895,000) 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.

Upon disposal of Tianjin Tianduan, the Group derecognised contract assets of HK\$62,968,000 for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

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

	notes	2022 HK\$'000	2021 HK\$'000
Trade receivables			
Trade receivables – exposure at default	(a), (b)	<b>1,105,951</b>	825,318
Trade receivables – gross		<b>1,105,951</b>	825,318
Less: allowance for credit losses	(b)	<b>(127,788)</b>	(137,379)
Trade receivables – net		<b>978,163</b>	687,939
Trade receivables backed by notes	(d)	<b>393,811</b>	435,892
	(c)	<b>1,371,974</b>	1,123,831
Other receivables, deposits and prepayments	(f)	<b>192,012</b>	742,623

As at 1 January 2021, trade receivables (net of allowance) (including those backed by notes) from contracts with customers amounted to HK\$1,286,637,000.

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 2022 was HK\$760,561,000 (2021: HK\$406,951,000).

- (b) As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK\$477,203,000 (2021: HK\$232,202,000) (excluding those backed by notes) which are past due as at the reporting date. Out of the past due balances, HK\$431,143,000 (2021: HK\$199,818,000) (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 2022 and 2021 are set out in Note 43(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 26. 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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	612,401	592,400
31 to 90 days	137,795	150,210
91 to 180 days	187,714	167,691
181 to 365 days	280,436	126,081
Over 1 year	153,628	87,449
	<b>1,371,974</b>	1,123,831

(d) As at 31 December 2022, total trade receivables backed by notes amounting to HK\$393,811,000 (2021: HK\$435,892,000) are with maturity period of less than one year.

As at 31 December 2022, trade receivables backed by notes with an aggregate carrying amount of HK\$113,867,000 (2021: HK\$126,615,000) 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.

(f) Included in other receivables as at 31 December 2021 was a consideration receivable of approximately RMB357,014,000 (equivalent to approximately HK\$415,616,000) payable to the Group by Tianjin Jinzhi and had been fully settled in March 2022. Details of which are set out in Note 8.

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Investments held for trading:		
Listed shares in Hong Kong	6,830	5,359
Listed shares in the PRC	12,015	29,882
Listed funds in the PRC	23,903	18,210
Unlisted funds in Hong Kong	–	39,226
Unlisted funds in the PRC	113,523	131,492
Unlisted trust funds in the PRC	331,288	176,878
	<b>487,559</b>	401,047
Market values of listed shares	<b>18,845</b>	35,241
Market values of listed funds	<b>23,903</b>	18,210

The above investments are denominated in Renminbi except for the listed shares in Hong Kong which are denominated in Hong Kong dollar and unlisted funds in Hong Kong which are denominated in United States 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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 28. ENTRUSTED DEPOSITS

As at 31 December 2022, the entrusted deposits were placed with three financial institutions (2021: four financial institutions) in the PRC, with maturity from 1 to 6 months (2021: from 2 to 17 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.0% to 7.3% (2021: from 6.6% to 7.3%) per annum.

Contracts with maturity over one year confer the Group rights of early redemption at amortised cost, before the maturity date. Accordingly, those deposits were classified as current assets as at 31 December 2022 and 2021.

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

	2022 HK\$'000	2021 HK\$'000
Cash at banks and in hand	2,707,333	3,204,953
Time deposits with maturity less than three months	936,024	786,632
Balances with other financial institutions	18,093	7,229
Cash and cash equivalents	3,661,450	3,998,814
Time deposits with maturity over three months	2,498,153	2,844,265
Restricted bank balances (note)	178,853	118,993
	<b>6,338,456</b>	6,962,072

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

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

## 30. SHARE CAPITAL

	Number of shares thousand	Value HK\$'000
Issued and fully paid ordinary shares with no par value: <b>At 1 January 2021, 31 December 2021 and 2022</b>	<b>1,072,770</b>	<b>5,136,285</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 31. RESERVES

	Capital reserve	General reserve	Statutory reserves	Share- based payment reserve	Other reserves	Exchange reserve	Fair value through other comprehensive income reserve	Sub-total	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		note (i)	note (i)		note (ii)		note (iii)		note (iv)	
At 1 January 2021	(764)	25,948	754,079	976	(1,531,646)	807,618	499,990	556,201	6,569,172	7,125,373
Profit for the year	-	-	-	-	-	-	-	-	470,379	470,379
Other comprehensive income (expenses) for the year	-	-	-	-	-	244,842	(6,542)	238,300	-	238,300
Dividends (Note 12)	-	-	-	-	-	-	-	-	(88,289)	(88,289)
Disposal of subsidiaries (Note 8)	-	(61)	(26,478)	-	-	7,416	-	(19,123)	19,123	-
Transfer between reserves	16	297	39,600	-	-	-	-	39,913	(39,913)	-
Others (note (v))	17,159	(514)	-	-	-	-	-	16,645	-	16,645
<b>At 31 December 2021</b>	<b>16,411</b>	<b>25,670</b>	<b>767,201</b>	<b>976</b>	<b>(1,531,646)</b>	<b>1,059,876</b>	<b>493,448</b>	<b>831,936</b>	<b>6,930,472</b>	<b>7,762,408</b>
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 12)	-	-	-	-	-	-	-	-	(96,013)	(96,013)
Transfer between reserves	939	308	15,312	-	-	-	-	16,559	(16,559)	-
Others	-	1,109	-	-	20,781	-	-	21,890	-	21,890
<b>At 31 December 2022</b>	<b>17,350</b>	<b>27,087</b>	<b>782,513</b>	<b>976</b>	<b>(1,510,865)</b>	<b>30,304</b>	<b>356,274</b>	<b>(296,361)</b>	<b>7,176,062</b>	<b>6,879,701</b>

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\$1,729,662,000 (2021: HK\$1,694,160,000).
- (v) During the year ended 31 December 2021, the amount included in capital reserves mainly represented share of reserve of Research Institute as a result of changes in its interest in an associate.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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 total number 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 2022, the cash proceeds received from the Incentive Scheme amounting to 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 year ended 31 December 2022, no restricted shares have been vested.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 33. BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
<b>Non-current</b>		
Bank borrowings		
– Unsecured	1,564,639	–
<b>Current</b>		
Bank borrowings		
– Secured	–	306,846
– Unsecured	–	1,995,417
	–	2,302,263
<b>Total borrowings</b>	<b>1,564,639</b>	<b>2,302,263</b>

notes:

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

	2022 HK\$'000	2021 HK\$'000
Bank borrowings:		
Within one year	–	2,302,263
More than two years but not more than five years	1,564,639	–
	1,564,639	2,302,263

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

	2022 HK\$'000	2021 HK\$'000
Bank borrowings:		
Renminbi	–	306,846
Hong Kong dollar	1,564,639	1,995,417
	1,564,639	2,302,263

- (c) The annual interest rates is 2.89% (2021: range from 1.72% to 5.66%) and the annual effective interest rates of bank borrowings at the end of the reporting period are as follows:

	2022 %	2021 %
Bank borrowings:		
Renminbi	–	4.61
Hong Kong dollar	3.77	1.72

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

- (e) On 7 December 2022, the Company obtained a new term loan banking facility of HK\$1,570,000,000 for a period of 36 months commencing from the date of utilisation. On 9 December 2022, the term loan was drawn down to repay the prior term loan.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 34. DEFERRED TAXATION

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	80,845	62,285
Deferred tax liabilities	(158,992)	(242,610)
Deferred tax liabilities, net	(78,147)	(180,325)

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\$1,451,338,000 (2021: HK\$1,429,198,000) 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 2021	(11,327)	(16,205)	13,040	54,523	(23,060)	(215,074)	(198,103)
Deferred tax (charged) credited to profit or loss	(5,067)	2,109	9,808	3,617	1,808	(1,504)	10,771
Deferred tax credited to other comprehensive income	-	-	-	-	-	775	775
Disposal of subsidiaries (Note 8)	(1,849)	-	(943)	-	16,139	-	13,347
Exchange differences	(29)	(994)	511	-	(283)	(6,320)	(7,115)
At 31 December 2021	(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)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 35. TRADE PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	787,335	534,750
Trade payables under supplier finance arrangements (note)	55,559	35,076
	<b>842,894</b>	569,826

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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	293,849	99,858
31 to 90 days	218,562	113,659
91 to 180 days	131,051	139,718
Over 180 days	199,432	216,591
	<b>842,894</b>	569,826

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

## 36. OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Accruals	683,914	727,682
Other payables	537,642	575,364
	<b>1,221,556</b>	1,303,046

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 37. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Provision of utilities and other related supporting facilities	688,136	749,842
Machinery construction contracts	19,238	129,349
Sale of pharmaceutical products	34,514	12,978
Others	685	5,015
	<b>742,573</b>	897,184

As at 1 January 2021, contract liabilities amounted to HK\$1,411,007,000.

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	
	2022	2021	2022	2021	2022	2021
	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	219,066	133,893	102,258	411,961	12,978	18,649

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 2022, included in the contract liabilities are receipt in advance of HK\$688,136,000 (2021: HK\$749,842,000) 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.

## 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

### Lease liabilities payables:

	2022 HK\$'000	2021 HK\$'000
Within one year	8,319	4,500
Within a period of more than one year but not more than two years	5,372	2,381
Within a period of more than two years but not more than five years	3,584	3,748
Within a period of more than five years	1,301	2,780
	<b>18,576</b>	13,409
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(8,319)</b>	(4,500)
Amount due for settlement after 12 months shown under non-current liabilities	<b>10,257</b>	8,909

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% (2021: 4.35%) per annum.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 39. OPERATING LEASES

### The Group as lessors

As at 31 December 2022, all of the properties held for rental purposes have committed lessees for the 1 to 6 years (2021: 1 to 7 years) respectively.

Undiscounted lease payments receivables on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	5,609	5,677
In the second year	5,609	5,677
In the third year	5,200	5,677
In the fourth year	5,200	5,677
In the fifth year	5,200	5,677
After five years	5,200	11,355
	<b>32,018</b>	39,740

## 40. CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for in respect of – Additions to property, plant and equipment	<b>104,684</b>	141,517

## 41. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances of HK\$178,853,000 (2021: restricted bank balances, land use rights and buildings of HK\$118,993,000, HK\$68,836,000 and HK\$339,875,000, respectively) were pledged to financial institutions by the Group to secure general banking facilities.

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2022 HK\$'000	2021 HK\$'000
Profit before tax from continuing operations	554,043	680,996
Loss before tax from presses and mechanical equipment business	–	(54,540)
	<b>554,043</b>	626,456
Adjustments for:		
Share of net profit of associates and joint venture accounted for using the equity method	<b>(457,000)</b>	(555,655)
Finance costs	<b>82,495</b>	48,977
Finance lease interest income	<b>(7,968)</b>	(8,893)
Interest income	<b>(254,259)</b>	(261,453)
Depreciation	<b>193,035</b>	223,115
Amortisation	<b>255</b>	263
Allowance for (reversal of) impairment losses:		
– trade receivables	<b>2,014</b>	26,168
– contract assets	<b>(21,747)</b>	14,880
– other receivables	<b>7,265</b>	(590)
– finance lease receivables	<b>(504)</b>	380
Net exchange losses (gains)	<b>65,044</b>	(22,516)
Dividend income from equity instruments at fair value through other comprehensive income	<b>(21,125)</b>	(6,136)
Net loss on disposal/written off of property, plant and equipment	<b>40,411</b>	637
Unrealised losses (gains) on financial assets at fair value through profit or loss	<b>62,895</b>	(36,724)
Share-based payment expenses	<b>583</b>	–
Decrease in fair value of investment properties	<b>3,260</b>	2,422
Operating cash flows before movements in working capital	<b>248,697</b>	51,331
Changes in working capital:		
Inventories	<b>69,398</b>	(170,649)
Finance lease receivables	<b>84,985</b>	(80,394)
Trade receivables	<b>(358,167)</b>	(57,456)
Other receivables, deposits and prepayments	<b>89,643</b>	(123,748)
Financial assets at fair value through profit or loss	<b>(185,448)</b>	240,161
Trade payables	<b>333,629</b>	(382,620)
Other payables and accruals	<b>5,529</b>	218,820
Amounts due from/to related companies	<b>174,668</b>	(187,047)
Contract assets	<b>(33,452)</b>	50,778
Contract liabilities	<b>(82,397)</b>	182,870
Cash generated from (used in) operations	<b>347,085</b>	(257,954)

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 43. FINANCIAL RISK MANAGEMENT

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

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets mandatorily required to be measured at FVTPL		
– Held-for-trading	487,559	401,047
– Others	1,133,865	702,016
	1,621,424	1,103,063
Financial assets at amortised cost	7,975,581	9,107,670
Equity instruments designated at FVTOCI	1,281,781	1,859,691
<b>Financial liabilities</b>		
Amortised cost	3,023,764	3,587,269

### 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 2022, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2021: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK\$27,054,000 (2021: HK\$42,545,000) 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\$.

## 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 19 and 27, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2021: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK\$36,625,000 (2021: HK\$26,735,000) and HK\$96,869,000 (2021: HK\$138,698,000), respectively.

##### (iii) Interest rate risk

Other than the entrusted deposits and bank balances and deposits specified in Notes 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. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include bank borrowings at variable rates of HK\$1,564,639,000 (2021: variable rates of HK\$1,995,417,000 and fixed rates of HK\$306,846,000).

If interest rates had been 50 basis points (2021: 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 2022 would decrease/increase by HK\$6,532,000 (2021: HK\$8,331,000).

If interest rates had been 25 basis points (2021: 25 basis points) higher/lower for Hong Kong dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK\$2,002,000 (2021: HK\$1,601,000); if interest rates had been 25 basis points (2021: 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\$12,193,000 (2021: HK\$12,778,000).

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

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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 are guaranteed by the related parties of the debtors as set out in Note 20 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 2022, the amounts of impairment losses made for these balances were insignificant and an allowance for impairment losses of HK\$7,265,000 (2021: reversal of impairment losses HK\$590,000) on other receivables was recognised.

## 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 2022

## 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:

2022	Notes	External credit rating	Internal credit rating	12-month or lifetime expected credit losses	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	13,425
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	1,131
Amounts due from related companies	24	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	20	N/A	(note (i))	12-month ECL	127,548
Other receivables	26	N/A	(note (i))	12-month ECL	60,468
Trade receivables backed by notes	26	A to AAA	N/A	12-month ECL	393,811
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	981,132  124,819
<b>Other item</b>					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	115,484  49,860

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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: – continued

2021	Notes	External credit rating	Internal credit rating	12-month or lifetime expected credit losses	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	14,602
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	181
Amounts due from related companies	24	N/A	(note (i))	12-month ECL	197,433
Restricted bank balances	29	AA+ to AAA	N/A	12-month ECL	118,993
Time deposits with maturity over three months	29	AA+ to AAA	N/A	12-month ECL	2,844,265
Bank balances	29	AA+ to AAA	N/A	12-month ECL	3,998,814
Finance lease receivables	20	N/A	(note (i))	12-month ECL	220,049
Other receivables	26	N/A	(note (i))	12-month ECL	233,343
Trade receivables backed by notes	26	A to AAA	N/A	12-month ECL	435,892
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	690,342
				Lifetime ECL – Credit-impaired	134,976
<b>Other item</b>					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	67,422
				Lifetime ECL – Credit-impaired	77,954

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 2022 and 2021, 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 2022

## 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 2022 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\$174,679,000 (2021: HK\$212,930,000) as at 31 December 2022 were assessed individually. No debtors with significant long outstanding balances are noted as at 31 December 2022 and 2021.

#### Gross carrying amount

At 31 December 2022	Average loss rate	Trade receivables (excluding those backed by notes) HK\$'000	Contract assets HK\$'000
<b>Operating segment</b>			
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
		<b>981,132</b>	<b>115,484</b>
<hr/>			
At 31 December 2021	Average loss rate	Trade receivables (excluding those backed by notes) HK\$'000	Contract assets HK\$'000
<b>Operating segment</b>			
Utilities – water, and heat and thermal power	0.02% – 0.04%	488,605	–
Pharmaceutical	0.60% – 4.93%	174,087	–
Hotel	6.78%	2,259	–
Electrical and mechanical	1.13%	25,391	67,422
		<b>690,342</b>	<b>67,422</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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 2021	9,581	178,451	188,032
– Impairment losses (reversed) recognised	(4,166)	30,334	26,168
– Disposal of subsidiaries	(3,170)	(76,400)	(79,570)
– Exchange adjustments	158	2,591	2,749
<b>As at 31 December 2021</b>	<b>2,403</b>	<b>134,976</b>	<b>137,379</b>
– Impairment losses recognised	<b>610</b>	<b>1,404</b>	<b>2,014</b>
– Exchange adjustments	<b>(44)</b>	<b>(11,561)</b>	<b>(11,605)</b>
<b>As at 31 December 2022</b>	<b>2,969</b>	<b>124,819</b>	<b>127,788</b>

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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 2021	3,429	99,122	102,551
– Impairment losses (reversed) recognised	(1,812)	16,692	14,880
– Disposal of subsidiaries	(2,365)	(39,230)	(41,595)
– Exchange adjustments	1,410	1,370	2,780
As at 31 December 2021	<b>662</b>	<b>77,954</b>	<b>78,616</b>
– Impairment losses recognised (reversed)	<b>653</b>	<b>(22,400)</b>	<b>(21,747)</b>
– Exchange adjustments	<b>(82)</b>	<b>(5,693)</b>	<b>(5,775)</b>
<b>As at 31 December 2022</b>	<b>1,233</b>	<b>49,861</b>	<b>51,094</b>

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.

## 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\$13,076,000 and HK\$105,348,000, respectively (2021: HK\$25,138,000 and HK\$66,760,000, respectively) as at 31 December 2022. 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 2022, 67% (2021: 64%) of the Group's financial assets were bank deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions in the PRC. For utilities business, except for an amount of HK\$760,561,000 (2021: HK\$406,948,000), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2022 and 2021, 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 2022, the Group had cash and cash equivalents of approximately HK\$3,661,450,000 (2021: HK\$3,998,814,000), bank borrowings of approximately HK\$1,564,639,000 (2021: HK\$2,302,263,000) and lease liabilities of approximately HK\$18,576,000 (2021: HK\$13,409,000), respectively.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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
<b>At 31 December 2022</b>						
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
	<b>1,518,188</b>	<b>59,063</b>	<b>1,620,304</b>	<b>-</b>	<b>3,197,555</b>	<b>3,023,764</b>
Lease liabilities	8,277	5,284	4,032	1,344	18,937	18,576
<b>At 31 December 2021</b>						
Bank borrowings	2,341,807	-	-	-	2,341,807	2,302,263
Amounts due to related companies	167,961	-	-	-	167,961	167,961
Trade payables and other payables	1,117,045	-	-	-	1,117,045	1,117,045
	<b>3,626,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,626,813</b>	<b>3,587,269</b>
Lease liabilities	4,500	3,072	4,400	2,934	14,906	13,409

### 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%.

## 43. FINANCIAL RISK MANAGEMENT (Continued)

### Capital risk management (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Total cash and bank deposits	6,338,456	6,962,072
Less: bank borrowings	(1,564,639)	(2,302,263)
Less: lease liabilities	(18,576)	(13,409)
Net cash	4,755,241	4,646,400
Shareholders' funds	12,015,986	12,898,693
Net gearing position	<b>Net cash</b>	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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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 2022 HK\$'000	31 December 2021 HK\$'000				
<b>Equity instruments at fair value through other comprehensive income</b>						
- listed equity securities	105,322	108,439	Level 1	Quoted bid price in active markets	N/A	N/A
- unlisted equity securities - a private company in the PRC	1,072,316	1,632,378	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 1.33% (2021: 1.03%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
- other unlisted equity securities	104,143	118,874	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 10.0% - 18.5% (2021: 6.94% - 13.47%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	<b>1,281,781</b>	1,859,691				
<b>Financial assets at fair value through profit or loss</b>						
- listed equity securities	18,845	35,241	Level 1	Quoted bid price in active markets	N/A	N/A
- listed funds	23,903	18,210	Level 1	Quoted bid price in active markets	N/A	N/A
- unlisted funds	113,523	170,718	Level 2	Redemption value quoted by relevant investment fund with reference to the underlying assets (mainly listed securities) of the fund	N/A	N/A
- unlisted trust funds	331,288	176,878	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
- entrusted deposits	1,133,865	702,016	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	<b>1,621,424</b>	1,103,063				

## 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 2022, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$10,728,000 (2021: HK\$15,928,000) 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\$10,945,000 (2021: HK\$16,251,000).
- (ii) As at 31 December 2022, 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\$574,000 (2021: HK\$458,000).

#### Reconciliation of Level 3 fair value measurements of financial assets

	<b>Unlisted equity securities HK\$'000</b>
At 1 January 2021	1,703,873
Fair value change recognised as other comprehensive expenses (note)	(901)
Exchange differences	48,280
At 31 December 2021	<b>1,751,252</b>
Fair value change recognised as other comprehensive expenses (note)	<b>(444,642)</b>
Exchange differences	<b>(130,151)</b>
<b>At 31 December 2022</b>	<b>1,176,459</b>

note: Included in other comprehensive income for the year ended 31 December 2022 is an amount of HK\$444,642,000 (2021: HK\$901,000) 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 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.

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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.

	<b>Lease liabilities HK\$'000</b>	<b>Dividend payables HK\$'000</b>	<b>Bank borrowings HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2021	19,644	–	2,329,721	2,349,365
Financing cash flows	(7,396)	(108,707)	(41,800)	(157,903)
Inception of leases	552	–	–	552
Interest expenses recognised	364	–	–	364
Dividend declared	–	108,707	–	108,707
Foreign exchange translation	245	–	14,342	14,587
<b>At 31 December 2021</b>	<b>13,409</b>	<b>–</b>	<b>2,302,263</b>	<b>2,315,672</b>
Financing cash flows	<b>(9,055)</b>	<b>(149,109)</b>	<b>(727,935)</b>	<b>(886,099)</b>
Inception of leases	<b>14,593</b>	–	–	<b>14,593</b>
Interest expenses recognised	<b>352</b>	–	–	<b>352</b>
Dividend declared	–	<b>149,109</b>	–	<b>149,109</b>
Foreign exchange translation	<b>(723)</b>	–	<b>(9,689)</b>	<b>(10,412)</b>
<b>At 31 December 2022</b>	<b>18,576</b>	<b>–</b>	<b>1,564,639</b>	<b>1,583,215</b>

## 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 2022, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB57,410,000 (equivalent to HK\$66,834,000) (2021: RMB58,916,000 (equivalent to HK\$70,984,000)).

## 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 2022, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB33,866,000 (equivalent to HK\$39,425,000) (2021: RMB11,784,000 (equivalent to HK\$14,198,000)).

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 2022, the total purchase amount by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was 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 2022, the total leasing amount by the Group to the TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was 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 2022, 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\$10,850,000).

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 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 2022, the total purchase amount by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB1,133,861,000 (equivalent to HK\$1,319,978,000).

### (b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2021: 62.81%) of the Company’s ordinary shares as at 31 December 2022. The remaining 37.19% (2021: 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 2022 and 2021, 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

For the year ended 31 December 2022

## 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 2022 set out in Notes 20, 23, 24 and 26, 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	2022 HK\$'000	2021 HK\$'000
Short-term lease expenses for plants, pipelines and networks	(ii)	24,519	26,393
Purchase of goods	(i)	10,579	7,156
Purchase of services	(i)	39,425	14,198
Purchase of steam and thermal power	(iii)	1,319,978	1,132,541
Sales of goods	(i)	147,018	155,386
Finance lease interest income	(i)	–	4,746

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 20, 23 and 24.
- (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, which subsequently became an intermediate shareholder in April 2021, 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, which subsequently became an intermediate shareholder in April 2021, and therefore is a connected person of the Group.

#### (ii) Key management compensation

	2022 HK\$'000	2021 HK\$'000
Fees	–	–
Salaries, share-based payment expense and other emoluments	5,471	4,713
Retirement benefits scheme contribution	36	36
	<b>5,507</b>	4,749

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 2022

## 46. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2022 and 2021 are set out below:

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2022		Percentage		2021	
				Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	
<b>Established and operating in the PRC</b>									
Tianjin Lisheng Pharmaceutical Co., Ltd. ("Lisheng Pharmaceutical") <sup>#</sup> 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs	RMB183,992,992	34.41 <sup>#</sup>	-	51.36 <sup>#</sup>	34.41	-	51.36	
Tianjin Yiyao Printing Co., Ltd. <sup>^^</sup> 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") <sup>^</sup> 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	
<b>Incorporated in the Cayman Islands and operating in Hong Kong</b>									
Thrive Leap Limited ("Thrive Leap")	Investment holding	US\$10,000	67	-	67	67	-	67	
<b>Incorporated in the British Virgin Islands and operating in Hong Kong</b>									
Dynamic Infrastructure Limited	Investment holding	US\$5	100	100	-	100	100	-	
Leadport Holdings Limited	Investment holding	US\$1	100	100	-	100	100	-	
<b>Incorporated and operating in Hong Kong</b>									
Tsinlien Realty Limited 津聯置業有限公司	Operation of Courtyard by Marriott Hong Kong	HK\$200,000	100	-	100	100	-	100	
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK\$15	100	-	100	100	-	100	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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

⊗ The effective interest held by the Group and subsidiary included 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 (2021: 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	
		2022	2021	2022	2021	2022	2021
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tianjin Tai Kang	The PRC	17.26	17.26	76,346	35,282	714,280	718,102
Thrive Leap Group (as defined below)	Cayman Islands/Hong Kong	33	33	64,035	85,295	3,639,578	4,199,871
Other individual immaterial subsidiaries with non-controlling interests				5,611	2,011	59,436	58,992
				145,992	122,588	4,413,294	4,976,965

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

For The Year Ended 31 December 2022

## 46. PRINCIPAL SUBSIDIARIES (Continued)

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

#### Tianjin Tai Kang

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Current assets	2,199,535	2,602,109
Non-current assets	1,525,317	1,602,012
Current liabilities	(340,611)	(842,313)
Non-current liabilities	(7,822)	(8,133)
Equity attributable to owners of the Company	2,662,139	2,635,574
Non-controlling interests	714,280	718,101
	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
Revenue	281,390	809,792
Share of net profit of associates and joint venture accounted for using the equity method	393,011	354,530
Profit for the year	442,327	223,772
Other comprehensive (expense) income for the year	(296,202)	28,256
Total comprehensive income for the year	146,125	252,028
Profit for the year attributable to non-controlling interests	76,346	35,282
Total comprehensive income (expense) for the year attributable to non-controlling interests	18,138	(16,369)
Net cash outflow from operating activities	(158,536)	(234,124)
Net cash inflow from investing activities	492,801	212,526
Net cash outflow from financing activities	(420,256)	(51,666)
Net cash outflow	(85,991)	(73,264)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 46. PRINCIPAL SUBSIDIARIES (Continued)

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

#### Thrive Leap Group

	At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Current assets	3,930,275	3,818,933
Non-current assets	3,406,695	4,387,525
Current liabilities	(967,091)	(831,388)
Non-current liabilities	(147,443)	(231,245)
Equity attributable to owners of the Company	2,582,858	2,957,763
Non-controlling interests	3,639,578	4,186,062
	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
Revenue	1,486,791	1,464,421
Share of net loss of associates and joint venture accounted for using the equity method	(64,405)	(35,173)
Profit for the year	73,956	109,343
Other comprehensive (expense) income for the year	(966,315)	209,995
Total comprehensive (expense) income for the year	(892,359)	319,338
Profit for the year attributable to non-controlling interests of Thrive Leap Group	64,035	85,295
Total comprehensive (expense) income for the year attributable to non-controlling interests	(527,080)	214,047
Dividends paid to non-controlling interests	31,268	10,552
Net cash inflow from operating activities	150,490	48,667
Net cash inflow (outflow) from investing activities	146,244	(428,026)
Net cash outflow from financing activities	(9,139)	(10,552)
Net cash inflow (outflow)	287,595	(389,911)

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 47. PRINCIPAL ASSOCIATES

### Associates

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2022		Percentage		2021	
				Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	
<b>Established and operating in the PRC</b>									
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") <sup>^</sup> 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	
<b>Incorporated in the Cayman Islands, operating in and listed in Hong Kong</b>									
Tianjin Port Development Holdings Limited ("Tianjin Port") <sup>#</sup> 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.

<sup>^</sup> Sino-foreign equity joint venture

<sup>#</sup> Listed on the Main Board of the Stock Exchange

## 48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 30 March 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		10,773	4,695
Investment properties		100,784	112,103
Interests in subsidiaries		3,639,481	3,973,174
Advances to subsidiaries		5,969,601	6,353,033
		<b>9,720,639</b>	10,443,005
<b>Current assets</b>			
Amount due from ultimate holding company		1,131	481
Other receivables, deposits and prepayments		3,542	2,926
Cash and cash equivalents		846,835	718,637
		<b>851,508</b>	722,044
<b>Total assets</b>		<b>10,572,147</b>	11,165,049
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital		5,136,285	5,136,285
Reserves	50	1,417,482	1,797,756
<b>Total equity</b>		<b>6,553,767</b>	6,934,041

# Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2022

## 49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bank borrowings	1,564,639	–
Amounts due to subsidiaries	2,406,573	2,199,569
Deferred tax liabilities	3,224	3,519
Lease liability	3,879	138
	<b>3,978,315</b>	2,203,226
<b>Current liabilities</b>		
Bank borrowings	–	1,995,417
Accruals	33,254	27,926
Lease liability	6,811	4,439
	<b>40,065</b>	2,027,782
<b>Total liabilities</b>	<b>4,018,380</b>	4,231,008
<b>Total equity and liabilities</b>	<b>10,572,147</b>	11,165,049
<b>Net current assets (liabilities)</b>	<b>811,443</b>	(1,305,738)
<b>Total assets less current liabilities</b>	<b>10,532,082</b>	9,137,267

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 30 March 2023 and are signed on its behalf by:

**Wang Gang**  
DIRECTOR

**Li Xiaoguang**  
DIRECTOR

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 50. RESERVES OF THE COMPANY

	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2021	1,276,199	432,063	1,708,262
Loss for the year	–	(21,425)	(21,425)
Other comprehensive income for the year	199,208	–	199,208
Dividends	–	(88,289)	(88,289)
At 31 December 2021	<b>1,475,407</b>	<b>322,349</b>	<b>1,797,756</b>
Profit for the year	–	<b>306,107</b>	<b>306,107</b>
Other comprehensive expense for the year	<b>(590,368)</b>	–	<b>(590,368)</b>
Dividends	–	<b>(96,013)</b>	<b>(96,013)</b>
<b>At 31 December 2022</b>	<b>885,039</b>	<b>532,443</b>	<b>1,417,482</b>

At 31 December 2022, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$532,443,000 (2021: HK\$322,349,000).

# Financial Summary

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
<b>Results</b>					
Revenue	5,391,500	4,549,058	2,960,187	3,540,957	<b>3,705,129</b>
Operating profit (loss) less finance costs	557,227	207,615	(44,098)	125,341	<b>97,043</b>
Share of net profit of associates and joint ventures accounted for using the equity method	318,872	363,420	505,760	555,655	<b>457,000</b>
Profit before tax	876,099	571,035	461,662	680,996	<b>554,043</b>
Tax expense	(86,630)	(61,891)	(76,461)	(41,717)	<b>(49,889)</b>
Profit for the year from continuing operations	789,469	509,144	385,201	639,279	<b>504,154</b>
Profit for the year from electricity business	84,179	134,646	–	–	<b>–</b>
Loss for the year from presses and mechanical equipment business	–	–	(83,478)	(46,312)	<b>–</b>
Profit for the year	873,648	643,790	301,723	592,967	<b>504,154</b>
Attributable to:					
Owners of the Company	471,931	461,441	294,478	470,379	<b>358,162</b>
Non-controlling interests	401,717	182,349	7,245	122,588	<b>145,992</b>
	873,648	643,790	301,723	592,967	<b>504,154</b>
Dividends	83,783	86,250	83,461	88,289	<b>96,013</b>
<b>Assets and liabilities</b>					
Total assets	23,001,454	22,556,153	23,879,408	23,457,987	<b>21,266,227</b>
Total liabilities	6,900,621	6,664,341	6,838,627	5,582,329	<b>4,836,947</b>
Total equity	16,100,833	15,891,812	17,040,781	17,875,658	<b>16,429,280</b>

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