天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Annual Report 2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Cheung Wing Yui, Edward

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Zhang Bingjun
Dr. Li Xiaoguang

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

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

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Website : www.tianjindev.com

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

Hong Kong Stock Exchange: 882

PRINCIPAL BANKERS

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

Tianjin Development Holdings Limited

Utilities

Water
Heat and Thermal Power
Electricity

Pharmaceutical

Lisheng (002393.SZ)
Yiyao Printing
Research Institute

Hotel

Courtyard by
Marriott Hong Kong

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

Company Name	Shareholding	Principal Activities
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	91.41%	Distribution of water in TEDA
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	90.94%	Distribution of steam in TEDA
Tianjin TEDA Electric Power Co., Ltd.	47.09%	Distribution of electricity in TEDA

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Yiyao Printing Co., Ltd.	43.55%	Design, manufacture and printing for pharmaceutical packaging
Tianjin Lisheng Pharmaceutical Co., Ltd.	34.41%	Manufacture and sale of chemical drugs
Tianjin Institute of Pharmaceutical Research Co., Ltd.	23.45%	Research and development of new medicine technology and new products

HOTEL

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong

ELECTRICAL AND MECHANICAL

Company Name	Shareholding	Principal Activities
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.	82.74%	Manufacture and sale of hydroelectric equipment
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipment

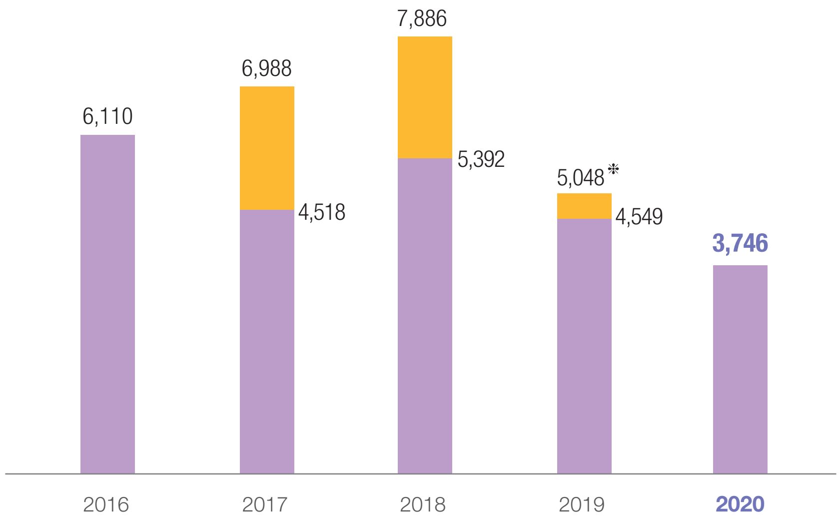
STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
Tianjin Port Development Holdings Limited	21%	Provision of port services in Tianjin
Otis Elevator (China) Investment Company Limited	16.55%	Manufacture and sale of elevators and escalators

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

Revenue

HK$ million



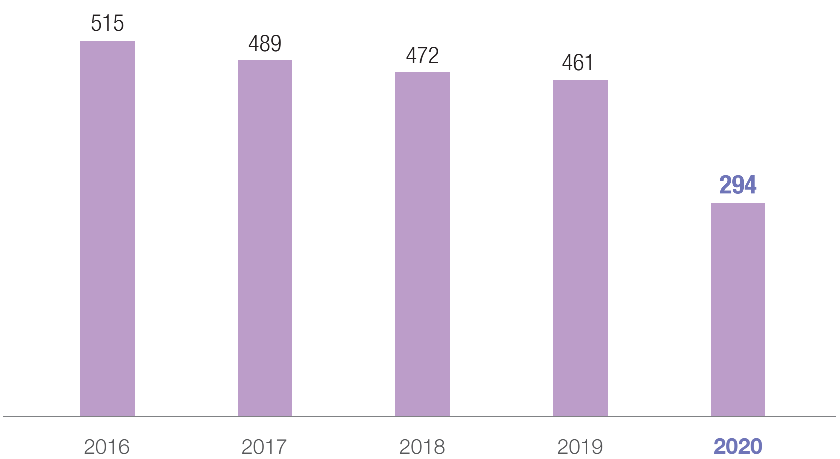
for the year ended 31 December

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

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

Profit Attributable to Owners of the Company

HK$ million



for the year ended 31 December

SEGMENTAL ANALYSIS BY OPERATIONS

For the year ended 31 December

Revenue

	2020 HK$ million	2019 HK$ million	Changes %
Utilities (note)	1,265	1,413	(10.5)
Pharmaceutical	1,409	1,903	(26.0)
Hotel	35	106	(67.0)
Electrical and mechanical	1,037	1,127	(8.0)
	3,746	4,549	(17.7)
Electricity business (note)	–	499	(100.0)
	3,746	5,048	(25.8)

Profit (Loss) Attributable to Owners of the Company

	2020 HK$ million	2019 HK$ million	Changes HK$ million
Utilities (note)	56	65	(9)
Pharmaceutical	1	80	(79)
Hotel	(16)	14	(30)
Electrical and mechanical	(176)	(85)	(91)
Port services	135	82	53
Elevators and escalators	273	219	54
Corporate and others	21	(49)	70
	294	326	(32)
Electricity business (note)	–	135	(135)
	294	461	(167)

note:

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

PROFIT AND DIVIDEND FOR THE YEAR 2020

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2020 was approximately HK$294.5 million, as compared to HK$461.4 million of last year. The Board recommends payment of a final dividend of HK4.78 cents per share for the year ended 31 December 2020. This final dividend together with the interim dividend of HK3 cents per share already paid, will make a total of HK7.78 cents per share for the full year of 2020, representing a decrease of 3.2% over last year.

BUSINESS OVERVIEW

In 2020, every line of business of the Company has achieved progressive results, despite the challenging operating environment as a result of the unprecedented impact of the Coronavirus Disease 2019 ("**Coronavirus**") pandemic on various sectors. During the year, the disposal of entire equity interest in Heavenly Palace had been completed and recorded a disposal gain of approximately HK$33.4 million. A right-time adjustment of asset portfolio will be beneficial to the Company in the long run and will enhance corporate value.

Benefitting from both the rising economic strength and enhancing innovation level of the Tianjin Economic and Technological Development Area, the utilities sector delivered solid results.

The annual revenue of pharmaceutical sector decreased by 26% to approximately HK$1,408.9 million as a result of weak demand amid the outbreak of Coronavirus epidemic and fierce price competition from the impact of centralised drug procurement program and reported a profit of approximately HK$6.3 million. During the year, Lisheng Pharmaceutical was awarded the title of "National Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China, and received the honor of "Tribute to the Retrograde: Role Models for National Pharmaceutical Enterprises of the year 2020 (致敬逆行者• 2020全國醫藥企業榜樣)" by the China Medical Pharmaceutical Material Association and People's Health of People.cn (人民網•人民健康). Its indapamide tablet products (product name: Shoubishan) was awarded "Excellent Antihypertensive Product Brand in China Chemical and Pharmaceutical Industry of the year 2020 (2020中國化學製藥行業降血壓類優秀產品品牌)" and also included on the list of "2019–2020 Essential Household Drugs – Antihypertensive Drugs (2019–2020年度中國家庭常用降血壓藥)". Furthermore, the cefdinir dispersible tablets (product name: Xifuni) and Maren soft capsules from Central Pharmaceutical, a subsidiary of Lisheng Pharmaceutical, were awarded the "Excellent Anti-Infection Product Brand in China Chemical and Pharmaceutical Industry of the year 2020 (2020中國化學製藥行業抗感染類優秀產品品牌)" and included on the list of "2019–2020 Essential Household Drugs – Laxative Drugs (2019–2020年度中國家庭常用通便用藥)", respectively. These awards fully demonstrated the industry's best affirmation and high recognition of the achievements of Lisheng Pharmaceutical's innovative development.

The operation of Courtyard by Marriott Hong Kong continued to be greatly affected by travel restrictions in place amid the ongoing pandemic and will remain under pressure until the travel restrictions and social distancing measures are lifted. The average room rate declined and the average occupancy rate was at approximately 30% throughout the year.

During the year, electrical and mechanical business was challenged by the slowdown in the sector, and the annual revenue decreased by 8% to approximately HK$1,037.3 million and continued to record an operating loss. In view of its unsatisfactory operating results, the Company will consider critically the advantages in its restructuring.

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

PROSPECT

Looking ahead to 2021, the global economic outlook remains challenging with considerable uncertainties arising from the development of pandemic and external environment, despite signs of economic recovery in many parts of the world following the launching of vaccination schemes and implementing the prevention and control measures for the pandemic. China's epidemic prevention and control measures made significant progress. With the implementation of various reform measures, the Chinese economy is expected to grow with more focus on medium to long term sustainability.

In the competitive and challenging environment, our Company with solid business and financial strength will be capable of dealing with the challenges ahead and will accelerate the pace of business integration. The Company will actively take part in the reform and promotion for a new era of high quality development in Tianjin City, and will also proactively plan out its development so as to seize the new opportunities ahead. We are confident for the future.

Lastly, I would like to take this opportunity to thank the Board members and all our staff for their continuous support and contribution.

Chen Yanhua
Executive Director and General Manager

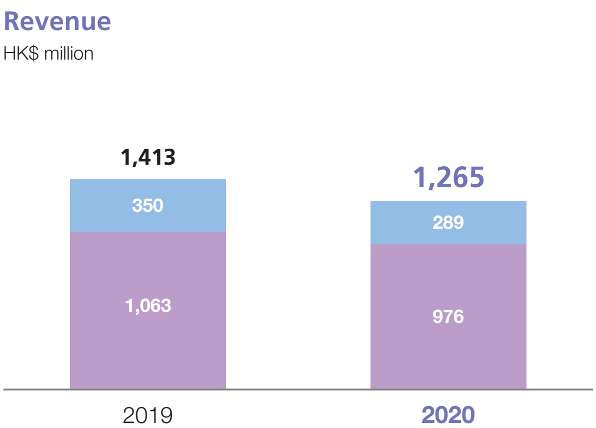
Hong Kong, 30 March 2021

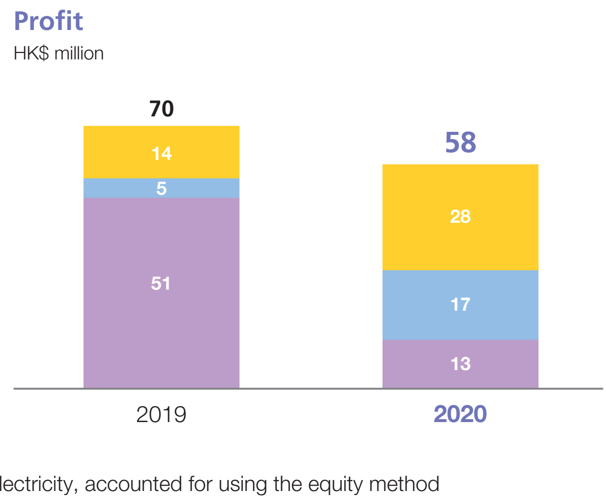
BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operated in the TEDA 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 the 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.





Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("**Water Company**") is principally engaged in supply of tap water in TEDA. It also provides services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 425,000 tonnes (2019: 425,000 tonnes).

Revenue from the Water Company was approximately HK$289.4 million, a decrease of 17.2% from HK$349.6 million in 2019. The Water Company recorded a profit of approximately HK$17.6 million, an increase of HK$12.6 million from HK$5 million last year. This was mainly attributable to higher ancillary services income and interest income, partly offset by lower operating margins due to lower volumes of water sold and tariff adjustment. The total quantity of water sold for the year was approximately 47,177,000 tonnes, representing a decrease of 13.9% over last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("**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 475 kilometres (2019: 462 kilometres) and more than 120 processing stations (2019: 120 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

Utilities (Continued)

Heat and Thermal Power (Continued)

In 2020, the Heat and Power Company reported revenue of approximately HK$975.8 million, a decline of 8.2% from HK$1,063 million last year. Profit from the Heat and Power Company was approximately HK$13.2 million, as compared with HK$50.8 million in 2019. The decline in both revenue and profit was primarily due to the decrease in government supplemental income by HK$78 million. Such side effect on profit was partly offset by a combination of tariff improvement and reduction in average steam purchase cost. The total quantity of steam sold for the year was approximately 3,625,000 tonnes, broadly maintained at the same level of the previous year.

Electricity

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

TEDA Power is principally engaged in supply of electricity in TEDA. It also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services. Currently, the installed transmission capacity of TEDA Power is approximately 946,000 kVA.

During the year, the revenue of TEDA Power amounted to approximately HK$2,135.2 million. TEDA Power contributed to the Group a profit of approximately HK$27.7 million, as compared with HK$14.4 million in 2019. The total quantity of electricity sold for the year was approximately 3,050,711,000 kWh.

Pharmaceutical

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

In 2020, revenue from pharmaceutical segment was approximately HK$1,408.9 million, a decline of 26% from HK$1,903.4 million last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK$1,276.3 million, a decrease of 28.8% from HK$1,791.6 million in 2019. Revenue from sale of packaging materials amounted to approximately HK$132.6 million, an increase of 18.6% from HK$111.8 million last year. Profit from pharmaceutical segment was approximately HK$6.3 million, a decrease of 97.2% from HK$228 million last year. The decline in both revenue and profit was primarily due to lower sales volumes and lower operating margins for sale of pharmaceutical products business as a result of weaker demand stemmed from the outbreak of Coronavirus Disease 2019 ("**Coronavirus**") at the beginning of the year and heightened price competition from impact of centralised drug procurement program, and the impairment provision of approximately HK$65.4 million on the relevant assets in connection with the termination of the 23-valent pneumococcal polysaccharide vaccine project, partly offset by lower of selling and distribution expenses as well as general and administrative expenses.

Pharmaceutical (Continued)

During the year, the revenue of Research Institute decreased by 12.5% to approximately HK$904.7 million and contributed to the Group a loss (after non-controlling interests) of approximately HK$5 million, as compared with a loss of HK$4.4 million in 2019.

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 declined by HK$71 million to approximately HK$34.8 million for the year 2020 and reported a loss of approximately HK$16.3 million compared to a profit of HK$13.7 million last year. The result was mainly attributable to the ongoing Coronavirus situation and its adverse impact on cross border and international travel. The average room rate declined and the average occupancy rate was approximately 29.9%, as compared with 81.7% in 2019.

Electrical and Mechanical

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

In 2020, revenue from electrical and mechanical segment was approximately HK$1,037.3 million, representing a decrease of 8% over last year. Loss from electrical and mechanical segment was approximately HK$229.6 million compared to a loss of HK$106.5 million in 2019. Stripping out the impairment loss of HK$11 million on property, plant and equipment as well as the allowance of HK$124.4 million for trade receivables and contract assets, the loss from electrical and mechanical segment would have been approximately HK$94.2 million, compared to a loss of HK$98.3 million for the previous year on a like-for-like basis. The result was primarily attributable to the lower revenue and operating margins for hydroelectric equipment business and a weakening of small and medium-sized hydropower sector.

During the year, Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司) ("**Tianjin Tai Kang**"), a non-wholly owned subsidiary of the Company, intends to dispose of its entire equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) ("**Tianfa Equipment**") and Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) ("**Tianduan**") by way of public listing-for-sale process on the Tianjin Property Rights Exchange Centre (天津產權交易中心) in accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC on 30 March 2020 and 12 June 2020, respectively ("**Potential Disposals**").

As at the date of the Group's audited consolidated financial statements was authorised by the Board of the Company, Tianjin Tai Kang has not entered into any formal agreements regarding the Potential Disposals. Details of the Potential Disposals were disclosed in the Company's announcements dated 27 March 2020 and 11 June 2020, respectively. The Group will continue to take cautious view with the operating performance of electrical and mechanical segment and may consider critically the advantages in its restructuring.

Strategic and Other Investments

Port Services

As at 31 December 2020, the Group has 21% equity interest in Tianjin Port Development Holdings Limited ("**Tianjin Port**") (stock code: 3382). Tianjin Port is engaged in the provision of port services including container and cargo handling services, sales and other port ancillary services in Tianjin, the PRC.

During the year, the revenue of Tianjin Port increased by 2.8% to approximately HK$15,492.8 million and profit attributable to owners of Tianjin Port was approximately HK$642.4 million. Tianjin Port contributed to the Group a profit of approximately HK$134.9 million, representing an increase of 65.1% over last year.

Elevators and Escalators

As at 31 December 2020, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited ("**Otis China**"). Otis China is engaged in the manufacture and sale of elevators and escalators in the PRC.

During the year, the revenue of Otis China amounted to approximately HK$20,595 million, representing an increase of 8.4% compared with last year. Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$273.3 million, representing an increase of 24.8% over 2019.

Investment in Binhai Investment Company Limited

As at 31 December 2020, 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$65.6 million (2019: approximately HK$80.4 million) and the unrealised fair value loss of approximately HK$14.8 million (2019: a gain of approximately HK$11.5 million) was recognised in other comprehensive expense.

Investment in Tasly Holding Group Co., Ltd.

As at 31 December 2020, 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 45.18% of its total issued A shares. Tasly Pharmaceutical is principally engaged in the research and development, manufacturing and distribution of pharmaceutical products in the PRC.

As at 31 December 2020, the fair value of investment in Tasly Holding was approximately HK$1,577.2 million (31 December 2019: HK$1,473.4 million), accounting for approximately 6.6% of the Group's total assets, and on that date the fair value gain together with the exchange effect amounted to approximately HK$103.8 million has been recognised in other comprehensive income. During the year, there was no dividend distribution from Tasly Holding (2019: HK$13.8 million). The holding of 12.15% equity interest in Tasly Holding is not held for trading and not expected to be sold in the foreseeable future.

PROSPECT

Looking ahead to 2021, the global economic outlook remains challenging with considerable uncertainties arising from the development of pandemic and external environment, despite signs of economic recovery in many parts of the world following the launching of vaccination schemes and implementing prevention and control measures for the pandemic. China's epidemic prevention and control measures made significant progress. With the implementation of various reform measures, the Chinese economy is expected to grow with more focus on medium to long term sustainability.

In the competitive and challenging environment, our Company with solid business and financial strength will be capable of dealing with the challenges ahead and will accelerate the pace of business integration. The Company will actively take part in the reform and promotion for a new era of high quality development in Tianjin City, and will also proactively plan out its development so as to seize the new opportunities ahead. We are confident for the future.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2020, the total cash on hand and total bank borrowings of the Group's continuing operations stood at approximately HK$6,586.5 million and HK$2,329.7 million respectively (2019: approximately HK$5,684.9 million and HK$2,356.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK$339.3 million (2019: approximately HK$371.2 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 19% as at 31 December 2020 (2019: approximately 20.7%).

Of the total HK$2,329.7 million bank borrowings outstanding as at 31 December 2020, HK$1,990.4 million were subject to floating rates with a spread of 1.6% over HIBOR of relevant interest periods and RMB285.7 million (equivalent to approximately HK$339.3 million) were fixed-rate debts with annual interest rates at 4.35% to 5.66%.

As at 31 December 2020, 85.4% (2019: 84.2%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 14.6% (2019: 15.8%) 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 2020, the Group had a total of approximately 3,496 employees (2019: 3,734) of which approximately 262 (2019: 418) were management personnel and 1,088 (2019: 1,245) were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 31 December 2020, restricted bank balances, land use rights and buildings of HK$140.6 million (2019: HK$329.7 million), HK$68.5 million (2019: HK$64.6 million) and HK$338.1 million (2019: HK$352.9 million) were respectively pledged to financial institutions by the Group to secure general banking facilities.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.78 cents per share for the year ended 31 December 2020 (2019: HK4.78 cents per share) to the shareholders whose names appear on the Company's register of members on 5 July 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 24 June 2021, the final dividend will be paid on 26 July 2021.

The final dividend together with the interim dividend of HK3.00 cents per share paid on 30 October 2020 makes a total of HK7.78 cents per share for the year (2019: HK8.04 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 June 2021 (Monday) to 24 June 2021 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 18 June 2021 (Friday).

The register of members of the Company will be closed from 2 July 2021 (Friday) to 5 July 2021 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 30 June 2021 (Wednesday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHANG Bingjun, aged 57, was appointed as Chairman and Executive Director of the Company on 17 October 2020. 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. Zhang is a chief senior engineer, graduated from Xidian University (西安電子科技大學) with a Bachelor's Degree in Engineering in 1984. Prior to joining the Company, he had served in various executive roles including chief engineer of Tianjin Optical Electrical Communications Company (天津光電通信公司), chairman and general manager of Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司), deputy general manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd. (天津中環電子信息集團有限公司), chairman of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司), chairman of Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (Stock Code: 000652.SZ) and chairman and general manager of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司). Mr. Zhang also served as the chairman and executive director of Binhai Investment Company Limited (濱海投資有限公司) (Stock Code: 2886) until 16 October 2020. He is currently the Chairman of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), both being controlling shareholders of the Company, and a non-executive director of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) (Stock Code: 9668). Mr. Zhang has extensive experience in areas such as electronic engineering, investment, corporate management and strategic planning.

Mr. CHEN Yanhua, aged 46, was appointed as an Executive Director and General Manager of the Company on 29 August 2019. Mr. Chen is a senior engineer, graduated from Beijing Institute of Technology with a Bachelor's Degree in Engineering in 1995, and obtained a Master's Degree in Engineering from Lanzhou Jiaotong University in 1998 and a Master of Business Administration Degree from University of Chinese Academy of Sciences in 2010. Prior to joining the Company, he had served in various executive roles including assistant to president and vice president of China Sciences Group (Holding) Co., Ltd. (中科實業集團（控股）有限公司), partner of Beijing Green Collar Zhiyuan Investment Management Centre (limited partnership) (北京綠領致遠投資管理中心（有限合夥）) as well as director and general manager of China Reform Culture Holdings Co., Ltd. (國新文化控股股份有限公司) (Stock Code: 600636.SH). Mr. Chen is currently a director and general manager of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) and the Chairman 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 the controlling shareholders of the Company, and a director and general manager of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司). He has extensive experience in strategic planning, corporate management, corporate finance and wealth management.

Dr. LI Xiaoguang, aged 48, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Dr. Li is a senior economist, graduated from Tianjin University with a Bachelor's Degree in Engineering in 1995, and obtained a Master of Business Administration Degree in 2003 and a Doctoral Degree in Global Economics from Nankai University in 2009. Dr. Li first joined the Company in 2004 and has worked in various roles including manager of asset management department of Tianjin Development Assets Management Co., Ltd. (天津發展資產管理有限公司), a wholly-owned subsidiary of the Company, deputy general manager, general manager of investment development department of Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien"). During the period from 2008 to 2015, he served in the general office of Tianjin Municipal People's Government (天津市人民政府辦公廳) and the general office of Guangzhou Municipal Committee of the Communist Party of China (廣州市委辦公廳). Dr. Li then re-joined Tsinlien as assistant to general manager in 2015 and assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings"). He is currently a deputy general manager of Tsinlien and Tsinlien Investment Holdings, and concurrently the Chairman of Tianjin Bohai State-owned Capital Research Institute Co., Ltd. (天津渤海國有資本研究院有限公司), an associate of Tsinlien Investment Holdings. Dr. Li has extensive experience in economics, corporate management and public relations.

EXECUTIVE DIRECTORS (Continued)

Mr. ZHUANG Qifei, aged 48, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Mr. Zhuang graduated from Shanghai University of Finance and Economics with a Bachelor's Degree in Engineering in 1993, and obtained a Master's Degree in Economics from Fudan University in 2001 and an Executive Master of Business Administration Degree from Tsinghua University in 2012. Prior to joining the Company, he had served in various executive roles including treasury manager of investment banking department of Shanghai Wanguo Securities Co., Ltd. (上海萬國證券有限公司), deputy general manager of Shanghai headquarter of China Southern Securities Co., Ltd. (中國南方證券有限公司), deputy general manager of investment banking department of Tiantong Securities Co., Ltd. (天同證券有限公司), deputy general manager of Shanghai headquarter of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (Stock Code: 601688.SH), general manager of securities investment headquarter of Central China Securities Co., Ltd. (中原證券股份有限公司) (Stock Code: 601375.SH), general manager of Shanghai Richen Asset Management Co., Ltd. (上海融昌資產管理有限公司), director of Western Securities Co., Ltd. (西部證券股份有限公司) (Stock Code: 002673.SZ), general manager of Shanghai Chengtou Holding Investment Co., Ltd. (上海城投控股投資有限公司) as well as investment controller, vice president of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (Stock Code: 600649.SH). Mr. Zhuang is currently a deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司) and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). He has extensive experience in investment and capital operation.

Mr. CUI Xiaofei, aged 48, was appointed as an Executive Director and Deputy General Manager of the Company on 29 August 2019. Mr. Cui graduated from Northeastern University with a Bachelor's Degree in Economics in 1996 and obtained an Executive Master of Business Administration Degree from The University of Texas at Arlington, College of Business in 2012. Prior to joining the Company, he had served in various executive roles including secretary to president, project manager of corporate investment management department of China Iron & Steel Trade and Industry Group Corporation (中國鋼鐵工貿集團公司), project manager, director, general manager of Sinosteel Australia Pty Ltd (中鋼澳大利亞有限公司), director, general manager of Sinosteel Channar Pty Ltd (中鋼恰那鐵礦有限公司), vice president of Sinosteel Iron & Steel Co., Ltd. (中鋼鋼鐵有限公司), deputy general manager of China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易有限公司), managing director of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd. (中船工業成套物流有限公司), chairman of Beijing Blue Duck Spring Co., Ltd. (北京藍鴨冰泉有限公司) as well as director, general manager of Bulk International Pte. Ltd. (大宗國際有限公司). Mr. Cui is currently a deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司), Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) and Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司). He has extensive experience in finance and international business.

NON-EXECUTIVE DIRECTOR

Mr. CHEUNG Wing Yui, Edward, *BBS*, aged 71, 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 The Open University of Hong Kong and the Honorary Council Member of the Hong Kong Institute of Directors Limited. He has held the position of the deputy chairman of The Open University of Hong Kong, a director of The Community Chest of Hong Kong, a member of the Labour and Welfare Department's Lump Sum Grant Steering Committee, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance, a member of the Board of Review (Inland Revenue Ordinance), the deputy chairman of the Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from the Open University of Hong Kong in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 93, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a postgraduate diploma from Imperial College of Science and Technology, London. He has been awarded Honorary Doctoral Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Open University of Hong Kong, and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers, United Kingdom and the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. He is also an authorized person and registered structural engineer. Dr. Cheng is a former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a Standing Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC) and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Dr. Cheng is currently an independent non-executive director of Agile Group Holdings Limited (Stock Code: 3383), a company whose shares are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, FCPA (Aust.)*, aged 71, 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 63, 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), CT Vision S.L. (International) Holdings Limited (formerly CT Vision (International) Holdings Limited) (Stock Code: 994), 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) until 19 August 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. WONG Shiu Hoi, Peter, aged 80, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of the Audit Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is the past chairman of The Hong Kong Institute of Directors and was a director of the Hong Kong Securities and Investment Institute, an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited as well as an overseas business advisor of Haitong Securities Company Limited. He is currently a consultant of Halcyon Holdings Limited and an advisor of Our Hong Kong Foundation. Mr. Wong is also an independent non-executive director of High Fashion International Limited (Stock Code: 608), Agile Group Holdings Limited (Stock Code: 3383), Target Insurance (Holdings) Limited (Stock Code: 6161) and Tai Hing Group Holdings Limited (Stock Code: 6811), all companies are listed on the Stock Exchange.

Dr. LOKE Yu, alias LOKE Hoi Lam, aged 71, 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 Institute of Chartered Secretaries. 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 Chiho Environmental Group Limited (Stock Code: 976), Times Universal Group Holdings Limited (formerly Forebase International Holdings Limited) (Stock Code: 2310), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), Matrix Holdings Limited (Stock Code: 1005), China Silver Technology Holdings Limited (formerly TC Orient Lighting Holdings Limited) (Stock Code: 515), TradeGo FinTech Limited (Stock Code: 8017), V1 Group Limited (Stock Code: 82), Zhenro Properties Group Limited (Stock Code: 6158) and Zhong An Real Estate Limited (Stock Code: 672), all of these companies are listed on the Stock Exchange. He also served as an independent non-executive director of Lamtex Holdings Limited (Stock Code: 1041), Tianhe Chemicals Group Limited (Stock Code: 1619) and CIMC-TianDa Holdings Company Limited (Stock Code: 445) until 23 March 2020, 31 May 2020 and 1 February 2021 respectively.

SENIOR MANAGEMENT

Ms. SHI Jing, aged 50, Assistant to General Manager of the Company. Ms. Shi graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1992 and a Master's Degree in Economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. Shi joined the Company since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd. (天津發展資產管理有限公司) and general manager of audit and legal affairs department of the Company. Prior to joining the Company, she was a commissioner of finance of Ting Hsin International Group (頂新國際集團), vice president of Fengyuan Consulting (Shanghai) Co., Ltd. (豐元諮詢（上海）有限公司) and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. Shi is currently a director of Tsinlien Group Company Limited (津聯集團有限公司) and the assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司). She is also an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ). Ms. Shi also served as a non-executive director of Binhai Investment Company Limited (Stock Code: 2886) and Dynasty Fine Wines Group Limited (Stock Code: 828) until 26 July 2018 and 1 October 2020 respectively.

Mr. CHONG Ching Hei, aged 48, Financial Controller of the Company. Mr. Chong graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 1999 and has extensive experience in auditing and corporate finance. Mr. Chong previously worked for Deloitte Touche Tohmatsu for over seven years. During the period from 2004 to 2006, he served as a financial controller and company secretary of Coastal Rapid Transit Company Limited, a wholly-owned subsidiary of the Company. Prior to re-joining the Company in July 2013, Mr. Chong was the financial controller and company secretary of Jianhua Concrete Pile Holdings Limited.

Ms. LEE Su Yee, Bonnia, aged 43, Company Secretary of the Company. Ms. Lee graduated from the City University of Hong Kong with a Master of Science Degree in Professional Accounting and Corporate Governance. She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She is also a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries. Ms. Lee joined the Company since October 2010 as an assistant company secretary and has extensive experience in company secretarial practice.

Environmental, Social and Governance Report

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

This ESG report covers 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 2020 (the "**Reporting Period**", "**FY2020**"). The report includes only material ESG issues which are identified by the Group through materiality assessment and only covers the entities directly controlled by the Group.

The preparation of this report adheres to four reporting principles, namely materiality, quantitative, consistency, and balance. Based on these principles, we have conducted materiality assessment to assess the relative importance of the ESG topics identified and have adopted a consistent methodologies 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 committed to incorporating 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.

We are responsible for overseeing the ESG activities of the Group. It defines and approves ESG-related policies, targets and strategies from the Group perspective, and reviews 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 report regularly to the Board. 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 employee by 2025 as compared with FY2019;
- 5% deduction on hazardous waste production intensity per production volume by 2025 as compared with FY2019;
- 5% deduction on intensity of indirect energy consumption per employee by 2025 as compared with FY2019; and
- 5% deduction on intensity of water consumption per employee 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.

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 assessed their materiality to our business as well as to the stakeholders. The table below highlights the ESG issues which are determined to be material to the Group covered in this report:

HKEx ESG Guide Reference	Material ESG issues
General	
General	• Compliance with relevant laws and regulations
A. Environmental	
A1. Emissions	• Air emissions and water discharge • Greenhouse gas emissions • Waste management
A2. Use of resources	• Energy consumption • Water usage • Packaging materials
A3. The environment and natural resources	• Environmental impact management
A4. Climate change	• Impact of climate change
B. Social	
B1. Employment	• Labour practices
B2. Health & safety	• Workplace health and safety
B3. Development and training	• Employee development and training
B4. Labour standards	• Prevention of child and forced labour
B5. Supply chain management	• Responsible procurement
B6. Product responsibility	• Product and service quality
B7. Anti-corruption	• Anti-corruption and money laundering
B8. Community investment	• Community programmes, donation and award

note: The principal subsidiaries of the Group covered in this report are Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("**Water Company**"), Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("**Heat and Power Company**"), Tianjin Tianduan Press Co., Ltd. ("**Tianduan**"), Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("**Tianfa Equipment**") and Tianjin Lisheng Pharmaceutical Co. Ltd ("**Lisheng**").

GENERAL

Compliance with relevant laws and regulations

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

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

A. ENVIRONMENTAL

A1 Emissions

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

We have taken into consideration the environmental sustainability into our business processes. Internal policies and procedures have been established to provide guidelines on the monitoring of our air emissions and water discharge, as well as on our waste handling processes. We have also dedicated teams to monitor our environmental performance regularly, and corresponding controls have been implemented on high consumption areas.

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and water discharge

Statistics of our air emissions and water discharge during the Reporting Period together with the comparative figures for the corresponding year in FY2019 are summarised as follows:

Type of emissions	FY2020 Total (Tonnes)	FY2019 Total (Tonnes)
Chemical Oxygen Demand (COD)	**15.43**	11.35
Ammoniacal Nitrogen (NH_3-N)	**1.72**	2.02
Sulphur Dioxide (SO_2)	**0.17**	0.77
Nitrogen Dioxide (NO_2)	**2.98**	11.98
Non-methane Hydrocarbon (NMHC)	**0.20**	0.28
Dust	**0.27**	0.86
Petroleum	**0.05**	0.05
Xylene	**0.06**	0.08
Toluene	**0.02**	0.03
Suspended Solids (SS)	**3.74**	3.48
Biochemical Oxygen Demand (BOD)	**4.48**	4.93
Volatile Organic Compounds (VOCs)	**0.37**	0.35
Ammonia (NH_3)	**0.01**	0.05
Hydrochloric Acid (HCl)	**0.03**	0.15
Liquid waste	**–**	166.30
Wastewater	**325,646.00**	587,121.00

note: The above statistics cover the air emissions and water discharge from Water Company, Tianduan and Tianfa Equipment and Lisheng in FY2019 and FY2020.

During the Reporting Period, the increase of chemical oxygen demand (COD) was mainly due to the increased experimental trial of active ingredient by our pharmaceutical segment. The overall emission, however, reduced significantly, in particular for sulphur dioxide (SO_2), nitrogen dioxide (NO_2), dust, ammonia (NH_3), hydrochloric acid (HCl), liquid waste and wastewater, due to outbreak of Coronavirus that had led to scale-down of production.

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

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

***Air emissions and water discharge** (Continued)*

- Welding fumes generated from factories have been collected by gas-collecting hood (集氣罩) to reduce the amount of dust emissions in the air.
- Fume purification facilities have been installed in the canteen.
- Water treatment facilities have been put in place and licensed contractors have been engaged to collect and handle the sewage from operations.
- Thickening process has been adopted to reduce water composition in sewage and wastewater discharge, and improve water efficiency by reusing the effluent.
- On-going monitoring and adjusting the use of chemical dosage to enhance sedimentation during water purification process.
- COD online monitoring system has been established to ensure that the COD level met the regulatory standards before discharging. The system was interconnected with the government environmental monitoring platform to facilitate real-time data transmission and monitoring.
- Environmentally friendly coal-fired boilers have been deployed to replace the old ones for reducing the level of both air emission and industrial wastewater discharged.

Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 565,033.91 tonnes (FY2019: 580,524.86 tonnes) of the energy-related carbon dioxide equivalent (CO_2e) generated from our operations during the Reporting Period and we have implemented various energy-saving initiatives to help reduce our carbon footprint. Please refer to the "Energy Consumption" section below for our energy consumption data and reduction initiatives.

Greenhouse gas emission in FY2020 (in tonnes)	
Direct emission (Scope 1)	6,676.07
Indirect emission (Scope 2)	558,357.84

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.

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 1,382.00 tonnes (FY2019: 661.60 tonnes) during the Reporting Period. The significant increment was caused by equipment transformation project implemented at the factory of Lisheng in FY2020.

The utilities, electrical and mechanical and pharmaceutical segments had generated hazardous waste during their operation, which included used oil, scrap mica, oily waste, organic waste, toxic waste carbon and scraped drugs. During the Reporting Period, the total amount of hazardous waste produced by the above-mentioned segments was 147.32 tonnes (FY2019: 43.30 tonnes). The increase in the hazardous waste was mainly due to the increasing number of trial production runs and experiments in pharmaceutical segment and scrap of drug recycling.

In terms of general commercial and industrial waste management, wastes have been disposed in accordance with the "Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes" (一般工業固體廢物貯存、處置場污染控制標準). The standard provides guidelines on the storage of general industrial solid waste, as well as the design, operation, management, pollution control and monitoring requirements of the site selected for waste disposal.

In order to reduce 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. 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.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption

Statistics of our consumption of the direct and indirect energy during the Reporting Period together with the comparative figures for FY2019 are shown as below:

	Consumption		Intensity (per employee)	
Type	FY2020	FY2019	FY2020	FY2019
Petrol (Tonnes)	**55.32**	50.75	**0.02**	0.03
Diesel (Tonnes)	**5.56**	9.37	**0.01**	0.01
Natural gas (m^3)	**3,190,759.00**	4,933,071.00	**1,015.20**	1,454.75
Electricity (kWh)	**45,619,771.00**	45,231,064.75	**14,036.85**	12,930.55
Heat (GJ)	**5,327.00**	5,070.71	**12.74**	12.34
Steam (Tonnes)	**3,926,273.00**	3,938,603.00	**2,288.04**	2,205.26

note: The above statistics cover the major types of energy consumed by Water Company, Heat and Power Company, Tianduan, Tianfa Equipment and Lisheng in FY2019 and FY2020.

The increase of intensity in electricity and heat was mainly due to the drop of headcount in Tianfa Equipment and Lisheng. The slight increment in petrol was due to improvement in data collection process of Lisheng in FY2020. Consumption in diesel, natural gas and steam slightly declined due to the temporary halt in production activities during Coronavirus.

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.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

- 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.

- 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.

Water usage

During the Reporting Period, the aggregate amount of water consumed by Water Company, Heat and Power Company, Tianduan, Tianfa Equipment and Lisheng was 1,736,532.00 tonnes, with an intensity of 534.32 tonnes per employee (FY2019 Consumption: 2,545,934.00 tonnes; FY2019 Intensity: 727.83 tonnes per employee). The decrease mainly attributed to the "work from home" arrangement and down-scale of production due to Coronavirus. The Group has no water sourcing issues during the Reporting Period.

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

- Recycling and reusing the wastewater for lawn irrigation and flushing water.

- Implementing water circulation systems across the manufacturing process to reduce the consumption of steam, which is expected to save up to 2,500 tonnes of steam annually.

- Installing water efficient devices.

- Carrying out periodic inspection and replacement on water pipes to prevent leakages.

- Replacing wet cooling tower from open circuit to closed to reduce usage of water during circulation.

With the implementation of the abovementioned measures, both absolute water consumption and consumption intensity have been reduced compared to FY2019.

note: The water consumption data has been revised in this report after a further review of the data reported by Water Company in FY2019.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Packaging materials

Our pharmaceutical segment consumes packaging materials for containing and protecting our pharmaceutical products while Tianfa Equipment also consumes a small amount of packaging materials. Despite the fact that using packaging materials is inevitable, we strive to minimise the packaging materials by adopting simple design, as well as using recycled and recyclable materials as possible. We have also set up consumption quotas for each 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 and used by Tianfa Equipment was 2,619.31 tonnes (FY2019: 3,369.42 tonnes) which have been reduced compared to FY2019.

A3 The Environment and Natural Resources

Environmental impact management

The Group is devoted to minimise our environmental impact through performing regular assessments and continuous monitoring of the environmental risks in our operations. We continue to refine and advance our environmental initiatives to assimilate the green concept into our product lifecycles. Materials and production technologies that may cause substantial environmental pollutions are prohibited.

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

To better control and mitigate our environmental impact, we have developed environmental systems that meet the ISO 14000 Environmental Management System Standard with key features including:

- Developing operating procedures and maintenance schedules in relation to environmental facilities, in order to ensure that the facilities are in good working condition throughout the operations.
- Providing induction orientation and trainings to technicians to enhance their environmental knowledge and ensure the smooth operations of all environmental protection facilities.
- Engaging qualified consultants to conduct environmental assessment on development or renovating projects.
- Informing local environmental authorities regularly of the progress against environmental protection and pollution control and the respective results.
- Integrating environmental protection elements into performance evaluation to ensure that the environmental targets can be effectively implemented as appropriate.

A. ENVIRONMENTAL (Continued)

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 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 employees.

B. SOCIAL

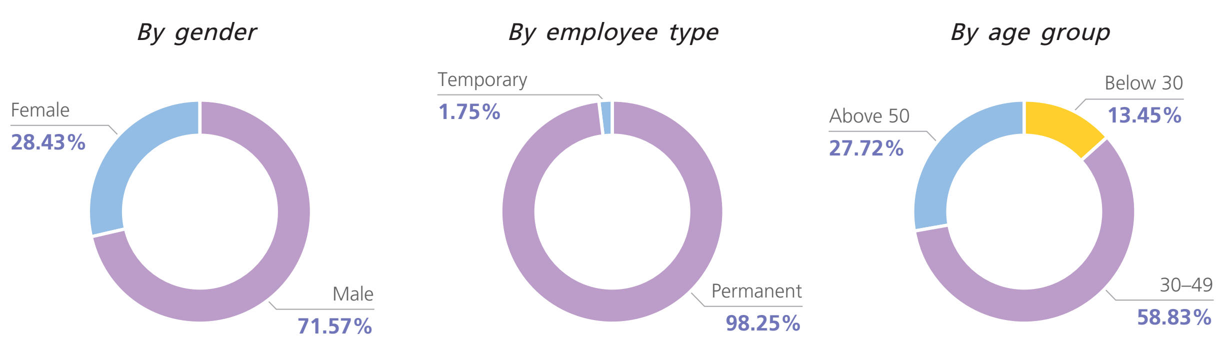
B1 Employment

Labour practices

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, equal opportunity and other welfares, which have been clearly communicated to relevant employees and are regularly reviewed where necessary to ensure proper execution. The Group will consider hiring disabled persons where appropriate. The Group consistently follows the requirements as set out in the related law and regulations, including the "Labour Law of the People's Republic of China" (中華人民共和國勞動法), the "Labour Contract Law of the People's Republic of China" (中華人民共和國勞動合同法) and the "Trade Union Law of the People's Republic of China" (中華人民共和國工會法).

There were no material non-compliance issues noted regarding our labour practices during the Reporting Period. By the end of FY2020, the Group's principal operating segments have a total workforce of 3,250 employees (FY2019: 3,498 employees) based in Northern China region with a turnover rate of around 4.33% (FY2019: 2.05%).

Employee Profile

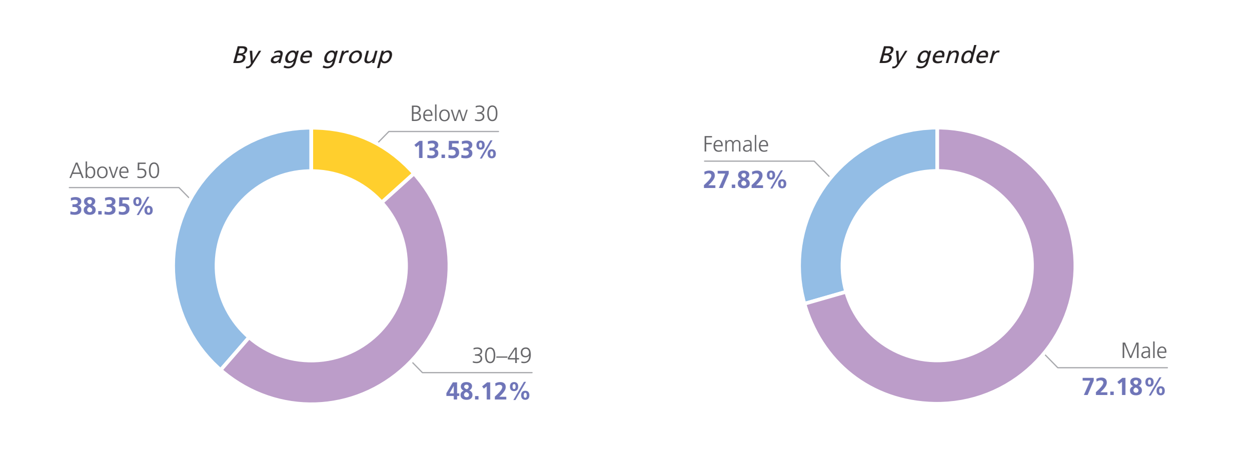


B. SOCIAL (Continued)

B1 Employment (Continued)

Labour practices *(Continued)*

Composition of turnover



B2 Health and Safety

Workplace health and safety

Health and safety of each and every employee is of paramount importance to us. The Group has compelling responsibility to protect the well-being of workers and minimise the possibility of accidents which may lead to immeasurable and irreparable workplace injuries. We strictly follow the "State Administration of Work Safety Act" (國家安全生產法), and the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" (中華人民共和國職業病防治法), and have obtained the "The National Standard of Occupational Health and Safety Management Systems" (職業健康安全管理體系認證) to provide a safe and healthy working environment to our employees.

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

In face of the outbreak of 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.

B. SOCIAL (Continued)

B2 Health and Safety (Continued)

Workplace health and safety (Continued)

There were 646 and 205 lost days due to work injury during the Reporting Period and FY2019 respectively. The increase in reporting lost days during the Reporting Period was due to the increase in legal and self-protection awareness of employees on cases such as sprained ankle. No work-related fatalities nor material non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period.

Reporting Year	Work-related fatalities
FY2020	0
FY2019	0
FY2018	1

B3 Development and Training

Employee development and training

We value the development of our employees and aim at assisting employees to achieve their career goals while meeting our business objectives. Training initiatives have been established to cater our employees' development needs according to their roles and responsibilities as well as our operational requirements. Tianfa Equipment has adopted an apprenticeship system not only can it help nurture future leaders from current practitioners, but it also allows our employees to develop their professional network throughout on-the-job training. In order to strengthen and expand the domain of knowledge of our professional technicians in pharmaceutical segment, we have also launched online continuing education program to introduce the latest industry advancements. Furthermore, to equip our employees with technical knowledge and skills as well as personal development, we offer both internal and external training opportunities for various levels of employees such as international conference, exhibitions. During the Reporting Period, the Group has provided 48,025 hours of training to 2,353 employees. Statistics in relation to development and training in FY2020 are as shown below:

	Percentage of employees trained	Average training hours completed per employee
By Gender		
Male	70.29%	13.30
Female	77.71%	18.50
By Employee Category		
General staff	73.23%	12.43
Middle management	62.22%	50.52
Senior management	63.41%	40.00

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) and "Prohibition of Child Labour Provisions" (禁止使用童工規定), by adopting a comprehensive screening and recruitment process, as well as by conducting regular reviews and inspections to detect the employment of any child or forced labour situation in our operations.

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

B5 Supply Chain Management

Responsible procurement

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

Number of suppliers by region in FY2020	
Northern China	473
Northeast China	283
Eastern China	266
Southern China	50
Southwest China	30
Northwest China	23
Others	34

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.

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).

Our electrical and mechanical segment has developed a comprehensive quality control system in accordance with the ISO 9000 Quality Management Standard which sets out the required procedures addressing including but not limited to product design and development, procurement, production, quality controls.

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

During the Reporting Period, a total of 23 written complaints were received by Lisheng in relation to the product packaging and quality. Lisheng had taken various remedial actions based on our "Administrative Measures for Drug Recalls" (藥品召回辦法). Compensation were offered to the customers being affected. Drugs with packaging issue such as capsule leakage, were also recalled and sent to the production lab for analyse to avoid such incident from happening again. There were no material non-compliance issues noted and product recalled regarding product responsibilities.

B7 Anti-corruption

Anti-corruption and money laundering

The Group is committed to complying with laws regarding anti-corruption and anti-money laundering including but not limited to the "Criminal Law of The People's Republic of China" (中華人民共和國刑法) and the "Law of the People's Republic of China on Anti-money Laundering" (中華人民共和國反洗錢法). We strive to maintain high standard of ethical, personal and professional conduct among all our employees. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. As a result, we have a number of internal policies addressing anti-corruption and anti-money laundering as well as employee code of conducts in place. These policies provide guidelines on expenditure management, whistleblowing channels, as well as bribery acts. On the other hand, the Group strives to promote business ethics and raise awareness through regular trainings and communications to our management and employees. Moreover, whistleblowing channels are provided to stakeholders to report issues identified to us. All reported cases are investigated by independent disciplinary committee and reported to the Board.

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

B. SOCIAL (Continued)

B8 Community Investment

Community programmes, donation and award

Besides providing quality products and services to meet the needs of our users and development of the society, we also care for the community through various volunteer activities and monetary donation to the underserved. The Group encourages our employees to participate in various internal and external community programmes.

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

In terms of financial support, Lisheng has made donations to the underprivileged and has provided sponsorships to promote health and higher living standards.

During the Reporting Period, Lisheng has received the 2019 Golden Bull Investment Award (2019年度金牛最具投資價值獎) and the 10th Role Model of Responsible Corporation of Tianjin Award (第十屆榜樣天津最具社會責任企業), which demonstrated that our efforts in the fields of corporate governance and social responsibility have been highly recognised.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best 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 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.

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 2020, the Board consists of eleven members, comprising five executive directors, being Mr. Zhang Bingjun *(Chairman)*, Mr. Chen Yanhua *(General Manager)*, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei, one non-executive director, being 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.

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 19 of this Annual Report.

Board Composition (Continued)

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider each of them independent.

Non-executive directors are appointed for a specific term of three years and subject to retirement by rotation and re-election at the general meeting in accordance with the articles of association of the Company (the "**Articles of Association**"). A letter of appointment has been entered into between the Company and each of the non-executive directors and independent non-executive directors.

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

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

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

Chairman and General Manager

The code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Bingjun, Chairman of the Company, is responsible for deciding the agenda of Board meetings taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda, and has an overall responsibility for providing leadership, vision and direction in the development of the business of the Company. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, he also ensures that the non-executive directors make contribution at the Board meetings.

Mr. Chen Yanhua, General Manager of the Company, assisted by other executive directors, is responsible to the Board for the day-to-day management of the Company, and attends to formulation and successful implementation of policies. Working with the executive management team of each core business division, he ensures smooth operations and development of the Company and keeps all directors fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective team to support him in managing the business of the Company.

Such division of responsibilities allows a balance of power between the Board and the management of the Company and ensures their independence and accountability. Their responsibilities are clearly segregated and have been set out in writing.

Board Responsibilities

The Company views well-developed and timely reporting systems and internal controls as essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board is responsible for performing the corporate governance duties and has adopted a set of corporate governance guidelines with reference to the CG Code.

In the course of discharging their duties, the directors act in good faith with due diligence and care and in the best interests of the Company and its shareholders. Their responsibilities include:

– regular board meetings focusing on business strategy, operational issues and financial performance;

– active participation on the boards of subsidiaries and associates;

– monitoring the quality, punctuality, relevance and reliability of internal and external reporting;

– monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and

– ensuring the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and professional ethics.

Board Proceedings

All members of the Board meet in person regularly and have full and timely access to relevant information. Moreover, the Board has established 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.

Board Proceedings (Continued)

In 2020, the Company held seven Board meetings and also dealt with matters by way of written resolutions. The attendance records of each member of the Board are set out below:

Name of Director		Attended/Eligible to Attend
Executive Directors		
Mr. Zhang Bingjun *(Chairman)*	(appointed on 17 October 2020)	0/0
Mr. Chen Yanhua *(General Manager)*		7/7
Dr. Li Xiaoguang		7/7
Mr. Zhuang Qifei		6/7
Mr. Cui Xiaofei		7/7
Mr. Wang Zhiyong	(resigned on 16 October 2020)	4/7
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		7/7
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	2/2
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		7/7
Mr. Mak Kwai Wing, Alexander		7/7
Ms. Ng Yi Kum, Estella		7/7
Mr. Wong Shiu Hoi, Peter		6/7
Dr. Loke Yu		7/7

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

Continuous Professional Development

Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills. In December 2020, the Company has invited Mr. Kwok Man Wai, Tony, former Deputy Commissioner and Head of Operations of the Hong Kong Independent Commission Against Corruption, to conduct an in-house training session for directors on the topic of "How to Implement Corporate Integrity System". Further, monthly updates on the Company's performance, position and prospects are also provided to the directors. The types of continuous professional development activities undertaken by the directors during the year are summarised as below:

Name of Director		Types of Continuous Professional Development Activities
Executive Directors		
Mr. Zhang Bingjun *(Chairman)*	(appointed on 17 October 2020)	C
Mr. Chen Yanhua *(General Manager)*		C
Dr. Li Xiaoguang		A & C
Mr. Zhuang Qifei		C
Mr. Cui Xiaofei		C
Mr. Wang Zhiyong	(resigned on 16 October 2020)	N/A
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		A, B & C
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	N/A
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		A & C
Mr. Mak Kwai Wing, Alexander		A & C
Ms. Ng Yi Kum, Estella		A, B & C
Mr. Wong Shiu Hoi, Peter		C
Dr. Loke Yu		A & C

notes:

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

BOARD COMMITTEES

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

Remuneration Committee

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

The principal responsibilities of the Remuneration Committee are to review and consider the Company's policy for the remuneration of directors and senior management and make recommendations to the Board on the remuneration packages of individual directors and senior management. The Remuneration Committee considers several factors such as time commitment, experience and responsibilities of the individual and the prevailing market condition before determining the remuneration packages including benefits in kind, pension rights and compensation payments. It also recommends to the Board on the remuneration of non-executive directors.

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

Name of Director		Attended/Eligible to Attend
Dr. Cheng Hon Kwan *(Chairman)*		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Mr. Zhang Bingjun	(appointed on 17 October 2020)	0/0
Mr. Wang Zhiyong	(resigned on 16 October 2020)	1/1

In 2020, the Remuneration Committee reviewed and made recommendation to the Board on remuneration matters including bonus for the year 2019 and the remuneration packages for the year 2020 of the Company's directors and senior management. In March 2021, the Remuneration Committee reviewed and made recommendation to the Board on the bonus for the year 2020 of the Company's directors and senior management.

Details of the emoluments of the directors for the year ended 31 December 2020 are set out in Note 11 to the consolidated financial statements.

Audit Committee

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

Set out below is a summary of work performed by the Audit Committee in 2020:

– reviewed the unaudited key financial information for the year ended 31 December 2019, the financial statements for the year ended 31 December 2019 and for the six months ended 30 June 2020;

– reviewed the Group's continuing connected transactions;

– reviewed risk management and internal control matters with external consultant;

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

– considered 2020 audit fees and audit work; and

– considered the independence of the external auditor.

The Audit Committee held three meetings in 2020. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also discussed material uncertainties which may be brought about by the global economic crisis, reviewed the internal audit function of the Company, and reported a summary of their work to the Board for discussion. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Ms. Ng Yi, Kum, Estella *(Chairman)*	3/3
Dr. Cheng Hon Kwan	3/3
Mr. Mak Kwai Wing, Alexander	3/3
Mr. Wong Shiu Hoi, Peter	3/3
Dr. Loke Yu	3/3

Investment Committee

The Investment Committee was established in April 2010 and currently consists of two independent non-executive directors, Mr. Mak Kwai Wing, Alexander and Mr. Wong Shiu Hoi, Peter and one executive director, Mr. Zhang Bingjun. 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.

During the year, the Investment Committee held three meetings. At the meetings, members of the Investment Committee discussed and reviewed the transactions in relation to the potential disposal of Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd., potential disposal of 78.45% equity interest in Tianjin Tianduan Press Co., Ltd., disposal of the entire equity interest in Tianjin Heavenly Palace Winery Co., Ltd. and investment in Prosperity Fixed Income Fund SP. Details of the transactions may refer to the Company's announcements dated 27 March 2020, 11 June 2020, 18 June 2020 and 7 September 2020 and the circular dated 31 July 2020. The attendance of committee members is recorded below:

Name of Director		Attended/Eligible to Attend
Mr. Mak Kwai Wing, Alexander *(Chairman)*		3/3
Mr. Wong Shiu Hoi, Peter	(appointed on 15 April 2020)	2/2
Mr. Zhang Bingjun	(appointed on 17 October 2020)	0/0
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	1/1
Mr. Wang Zhiyong	(resigned on 16 October 2020)	2/3

Nomination Committee and Appointment of Directors

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

The principal responsibilities of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors, make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and review the board diversity policy as appropriate. A written terms of reference, which describes the authority and duties of the Nomination Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

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

Nomination Committee and Appointment of Directors (Continued)

During the year, the Nomination Committee held one meeting and also dealt with relevant matters by way of written resolutions. At the meeting, the eligibility of the directors seeking for re-election at the annual general meeting and the independence of the independent non-executive directors had been reviewed and assessed. The existing structure, size and composition of the Board has also been reviewed. The attendance of committee members is recorded below:

Name of Director		Attended/Eligible to Attend
Mr. Zhang Bingjun *(Chairman)*	(appointed on 17 October 2020)	0/0
Dr. Cheng Hon Kwan		1/1
Mr. Mak Kwai Wing, Alexander		1/1
Ms. Ng Yi, Kum, Estella		1/1
Mr. Wang Zhiyong	(resigned on 16 October 2020)	1/1

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

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

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

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 2020.

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 2020. 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 2020 and also reviewed the 2020 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$5,250,000 and non-audit services in relation to consultancy and review services amounted to approximately HK$2,500,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Group and constantly reviewing its effectiveness while the Audit Committee assists the Board in fulfilling its supervision responsibility through annual review and evaluation. The system of risk management and internal control is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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

The internal audit reports prepared by RSM Nelson Wheeler in accordance with the risk-based internal audit plan for the year 2020 have been reviewed and discussed at the Audit Committee meetings held on 24 August 2020 and 24 March 2021, respectively. The Board together with the senior management have respectively on 28 August 2020 and 30 March 2021, reviewed, considered and discussed all the findings in relation to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Group has 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 objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure that shareholders are well informed of its business development. These include general meetings, annual reports, various notices, announcements and circulars. The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. Shareholders may make enquiries to the Board in writing for the attention of the Company Secretary at Suites 7–13, 36th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong or via email at ir@tianjindev.com.

COMMUNICATION WITH SHAREHOLDERS (Continued)

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 26 June 2020 and 17 August 2020 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	Attendance of Extraordinary General Meeting
Executive Directors			
Mr. Zhang Bingjun *(Chairman)*	(appointed on 17 October 2020)	0/0	0/0
Mr. Chen Yanhua *(General Manager)*		1/1	1/1
Dr. Li Xiaoguang		1/1	1/1
Mr. Zhuang Qifei		1/1	1/1
Mr. Cui Xiaofei		1/1	1/1
Mr. Wang Zhiyong	(resigned on 16 October 2020)	1/1	0/1
Non-Executive Directors			
Mr. Cheung Wing Yui, Edward		1/1	1/1
Dr. Chan Ching Har, Eliza	(resigned on 15 April 2020)	0/0	0/0
Independent Non-Executive Directors			
Dr. Cheng Hon Kwan		1/1	1/1
Mr. Mak Kwai Wing, Alexander		1/1	1/1
Ms. Ng Yi Kum, Estella		1/1	1/1
Mr. Wong Shiu Hoi, Peter		1/1	1/1
Dr. Loke Yu		1/1	1/1

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 58 to 62 of this Annual Report.

Report of the Directors

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 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 48 and 49 to the consolidated financial statements respectively.

BUSINESS REVIEW

A review of the business of the Group for the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), including description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of this financial year and indication of likely future development in the Group's business are set out in the sections headed *"General Manager'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 2020 are set out in the consolidated statement of profit or loss on page 63.

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 HK3.00 cents per share (2019: HK3.26 cents per share) was paid on 30 October 2020. The Board recommends the payment of a final dividend of HK4.78 cents per share (2019: HK4.78 cents per share). Details are set out in Note 12 to the consolidated financial statements.

DIVIDEND POLICY

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

In determining an appropriate basis for dividend payment, the Board will take into account, inter alia, the Group's financial performance, earnings and distributable reserves, future prospects, legal and tax considerations and other factors the Board 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 180.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 52 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Group were subsisting as at 31 December 2020 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 2020 are set out in Note 34 to the consolidated financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2020.

DIRECTORS

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

Executive Directors

Mr. Zhang Bingjun *(Chairman)*	(appointed on 17 October 2020)
Mr. Chen Yanhua *(General Manager)*	
Dr. Li Xiaoguang	
Mr. Zhuang Qifei	
Mr. Cui Xiaofei	
Mr. Wang Zhiyong	(resigned on 16 October 2020)

Non-Executive Directors

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

Independent Non-Executive Directors

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

In accordance with Article 92 of the Company's articles of association, Mr. Zhang Bingjun will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 101 of the Company's articles of association, Mr. Chen Yanhua, Mr. Cheung Wing Yui, Edward, Ms. Ng Yi Kum, Estella and Dr. Loke Yu will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed *"Biographical Details of Directors and Senior Management"* on pages 15 to 19.

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

DIRECTORS' SERVICE CONTRACT

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zhang Bingjun and Mr. Chen Yanhua are directors of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("**Tsinlien Investment Holdings**") which, through certain of its subsidiaries, is partly engaged in the businesses of pharmaceutical including manufacture and sale of medicinal raw materials, food additive and medical disinfecting products.

As these businesses are of different types and/or different sales regions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Tsinlien Investment Holdings.

Save as disclosed above, during the year and up to the date of this report, none of the directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, its subsidiaries, or its holding company was a party and in which a director of the Company or an entity connected with him had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2020, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

The Company has no share option scheme. The previous share option scheme of the Company was adopted on 25 May 2007 and had expired on 24 May 2017. All the outstanding share options granted and yet to be exercised under the previous scheme had lapsed upon the expiry of the exercise period on 24 May 2019.

Details of the accounting policy adopted for the share options are set out in Notes 2(p) and 32 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 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 2020, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tsinlien Investment Holdings	1&2	Interest of controlled corporation	673,759,143	62.81%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("**Bohai**")	1&2	Interest of controlled corporation	673,759,143	62.81%
Tsinlien	1&3	Direct beneficial interest and interest of controlled corporation	673,759,143	62.81%

notes:

1. All interests stated above represent long positions.

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

3. As at 31 December 2020, 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 2020, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

Connected Transaction

On 18 June 2020, the Company, as vendor, entered into a conditional state-owned equity transfer agreement with Tianjin Food Group Co., Ltd. (天津食品集團有限公司) ("**Tianjin Food**"), as purchaser, in relation to the disposal of the entire equity interest in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) at a consideration of RMB331,922,200.

As Tianjin Food is a fellow subsidiary of Tsinlien (the immediate controlling shareholder of the Company) and hence a connected person of the Company under the Listing Rules, the transaction therefore constituted a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The transaction was approved by the independent shareholders of the Company at an extraordinary general meeting held on 17 August 2020 and was completed on 27 October 2020.

Details of the above transaction were disclosed in the announcement and the circular of the Company dated 18 June 2020 and 31 July 2020, respectively.

Continuing Connected Transactions

On 6 December 2018, 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 (the "**Products**") by members of the Group to members of Tianjin Pharmaceutical and its subsidiaries (the "**Tianjin Pharmaceutical Group**") for a term from 1 January 2019 to 31 December 2021. The price of the Products shall be determined in accordance with the following principles:

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

(b) where there is no reference price available (e.g. in the case of the launch of new Products), the costs incurred by members of the Group in producing the new Products plus a profit margin ranging from 5% to 90%, and taking into account, among others, market conditions and the price of similar products offered by independent third party suppliers in the same region; and

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

For the year ended 31 December 2020, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB62,946,000 (equivalent to HK$70,805,000), which is within the annual cap of RMB103,000,000 (equivalent to HK$115,991,000).

Continuing Connected Transactions (Continued)

As at the date of this report, Tianjin Pharmaceutical is an associate of Bohai (an intermediate controlling shareholder of the Company) and hence a connected person of the Company under the Listing Rules. The entering into of the Master Sales Agreement and the transactions contemplated thereunder therefore constituted continuing connected transactions of the Company under the Listing Rules. Details of the above transactions were disclosed in the Company's announcement dated 6 December 2018.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued 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 disclosed above have been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 10% of the total sales for the year.

The percentage of the Group's purchases for the year attributable to the Group's major suppliers are as follows:

–	the largest supplier	21%
–	five largest suppliers in aggregation	45%

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020.

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

Chen Yanhua
Executive Director and General Manager

Hong Kong, 30 March 2021

Independent Auditor's Report

Deloitte. 德勤

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

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 63 to 179, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets relating to electrical and mechanical segment We identified the impairment assessment of non-current assets relating to electrical and mechanical segment as a key audit matter due to the fact that the electrical and mechanical segment incurred losses for the year ended 31 December 2020. The Group's management exercised significant judgement on the impairment testings, which require the estimation of key assumptions in the preparation of cash flow projections and the estimation of fair value less costs of disposal. An impairment loss was recognised on property, plant and equipment relating to electrical and mechanical segment for the current year and further details are set out in Note 21(a) to the consolidated financial statements.	Our procedures in relation to the impairment assessment of non-current assets relating to electrical and mechanical segment included: • Obtaining an understanding of the process over the impairment assessment of the electrical and mechanical segment; • Evaluating the appropriateness of the key assumptions in the cash flow projections and the discounted cash flow model, including the discount rate, growth rate, budgeted sales and gross margin, the setting of reasonable and supportable assumptions and inputs to the models used to estimate the recoverable amounts by discussing with the management and with reference to our understanding of the industry and performing sensitivity analysis; • Evaluating the appropriateness of the valuation technique in assessing the fair value less costs of disposal by the management with the assistance of our internal valuation specialists; and • Evaluating the historical accuracy of management's budgeting process by comparing historical financial performance of the electrical and mechanical segment with the original forecasts.

KEY AUDIT MATTERS (Continued)

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Continuing operations			
Revenue	4	3,746,170	4,549,058
Cost of sales		(2,696,484)	(2,949,200)
Gross profit		1,049,686	1,599,858
Other income	5	301,924	315,489
Other losses, net	6	(148,936)	(8,087)
Selling and distribution expenses		(546,983)	(861,661)
General and administrative expenses		(510,999)	(493,713)
Other operating expenses		(202,472)	(259,310)
Finance costs	7	(70,814)	(84,961)
Share of net profit of associates and joint ventures accounted for using the equity method	17	505,760	363,420
Profit before tax		377,166	571,035
Tax expense	9	(75,443)	(61,891)
Profit for the year from continuing operations		301,723	509,144
Electricity business			
Gain on disposal of a subsidiary	8	–	136,016
Loss for the year	8	–	(1,370)
Profit for the year from electricity business		–	134,646
Profit for the year	10	301,723	643,790
Profit for the year attributable to owners of the Company			
– from continuing operations		294,478	326,718
– from electricity business		–	134,723
Profit for the year attributable to owners of the Company		294,478	461,441
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		7,245	182,426
– from electricity business		–	(77)
Profit for the year attributable to non-controlling interests		7,245	182,349
		301,723	643,790
		HK cents	HK cents
Earnings per share	13		
Basic			
– continuing operations and electricity business		27.45	43.01
– continuing operations		27.45	30.46
Diluted			
– continuing operations and electricity business		27.45	43.01
– continuing operations		27.45	30.46

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Profit for the year		**301,723**	643,790
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income	19	**3,973**	(392,636)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		**(4,679)**	60,657
Share of other comprehensive income of investments accounted for using the equity method – fair value through other comprehensive income reserve		**681**	11,918
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences			
– the Group		**598,521**	(180,566)
– investments accounted for using the equity method		**384,265**	(154,788)
Other comprehensive income (expense) for the year		**982,761**	(655,415)
Total comprehensive income (expense) for the year		**1,284,484**	(11,625)
Attributable to:			
Owners of the Company		**983,281**	125,390
Non-controlling interests		**301,203**	(137,015)
		1,284,484	(11,625)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,879,745	2,859,418
Land use rights	15	627,448	612,740
Investment properties	16	237,542	239,487
Investments accounted for using the equity method	17	6,832,237	6,558,477
Intangible assets	18	16,345	9,846
Finance lease receivables	20	89,273	–
Deposits paid for acquisition of property, plant and equipment		7,644	7,269
Deferred tax assets	35	56,236	47,213
Equity instruments at fair value through other comprehensive income	19	1,791,755	1,683,058
		12,538,225	12,017,508
Current assets			
Inventories	22	1,031,580	1,105,629
Amounts due from investments accounted for using the equity method	23	12,715	56,872
Amount due from ultimate holding company	23	235	299
Amounts due from related companies	24	80,530	65,788
Contract assets	25	191,650	280,979
Finance lease receivables	20	35,567	–
Trade receivables	26	692,159	689,067
Notes receivables	26	594,478	437,757
Other receivables, deposits and prepayments	26	225,767	465,848
Financial assets at fair value through profit or loss	27	594,246	434,979
Structured deposits	28	119,952	33,482
Entrusted deposits	29	1,175,772	1,283,035
Restricted bank balances	30	140,570	329,669
Time deposits with maturity over three months	30	2,115,271	2,257,953
Cash and cash equivalents	30	4,330,691	3,097,288
		11,341,183	10,538,645
Total assets		23,879,408	22,556,153
EQUITY			
Owners of the Company			
Share capital	31	5,136,285	5,136,285
Reserves	33	7,125,373	6,226,129
		12,261,658	11,362,414
Non-controlling interests		4,779,123	4,529,398
Total equity		17,040,781	15,891,812

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	39	12,386	7,348
Bank borrowings	34	1,990,417	1,985,417
Deferred tax liabilities	35	254,339	236,488
		2,257,142	2,229,253
Current liabilities			
Trade payables	36	1,123,730	878,762
Notes payables	36	282,810	196,818
Other payables and accruals	37	1,058,579	1,194,129
Amounts due to related companies	24	236,339	369,349
Contract liabilities	38	1,411,007	1,341,568
Lease liabilities	39	7,258	4,900
Bank borrowings	34	339,304	371,227
Current tax liabilities		122,458	78,335
		4,581,485	4,435,088
Total liabilities		6,838,627	6,664,341
Total equity and liabilities		23,879,408	22,556,153
Net current assets		6,759,698	6,103,557
Total assets less current liabilities		19,297,923	18,121,065

The consolidated financial statements on pages 63 to 179 were approved and authorised for issue by the board of directors of the Company on 30 March 2021 and are signed on its behalf by:

Chen Yanhua
Director

Li Xiaoguang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Owners of the Company					
		Share capital HK$'000	Other reserves HK$'000 (Note 33)	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019		5,136,285	372,545	5,808,169	11,316,999	4,783,834	16,100,833
Profit for the year		–	–	461,441	461,441	182,349	643,790
Other comprehensive expense for the year		–	(336,051)	–	(336,051)	(319,364)	(655,415)
Total comprehensive (expense) income for the year		–	(336,051)	461,441	125,390	(137,015)	(11,625)
Dividends	12	–	–	(86,250)	(86,250)	(51,430)	(137,680)
Disposal of a subsidiary	8	–	(228,189)	228,189	–	(65,813)	(65,813)
Transfer between reserves		–	39,813	(39,813)	–	–	–
Transfer upon lapse of share options		–	(21,753)	21,753	–	–	–
Others		–	6,275	–	6,275	(178)	6,097
		–	(203,854)	123,879	(79,975)	(117,421)	(197,396)
At 31 December 2019		5,136,285	(167,360)	6,393,489	11,362,414	4,529,398	15,891,812
Profit for the year		–	–	294,478	294,478	7,245	301,723
Other comprehensive income for the year		–	688,803	–	688,803	293,958	982,761
Total comprehensive income for the year		–	688,803	294,478	983,281	301,203	1,284,484
Dividends	12	–	–	(83,461)	(83,461)	(51,441)	(134,902)
Disposal of a subsidiary	40	–	3,678	(3,678)	–	–	–
Transfer between reserves		–	31,656	(31,656)	–	–	–
Others		–	(576)	–	(576)	(37)	(613)
		–	34,758	(118,795)	(84,037)	(51,478)	(135,515)
At 31 December 2020		5,136,285	556,201	6,569,172	12,261,658	4,779,123	17,040,781

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	44	380,586	(401,593)
PRC income tax paid		(49,829)	(130,164)
Interest paid		(70,488)	(84,646)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		260,269	(616,403)
INVESTING ACTIVITIES			
Proceeds from redemption of entrusted deposits		1,277,390	739,387
Dividends received from associates and joint ventures		322,588	298,482
Interest received		203,168	185,237
Release (addition) of restricted bank balances		189,099	(98,606)
Disposal of a subsidiary	8 & 40	161,756	(229,311)
Decrease (increase) in time deposits with maturity over three months		142,682	(19,955)
Proceeds from redemption of structured deposits		33,746	528,490
Proceeds from disposal of property, plant and equipment		3,011	3,737
Dividend received from equity instruments at fair value through other comprehensive income		2,103	16,511
Proceeds from redemption of an entrusted loan		–	34,052
Disposal of investments accounted for using the equity method		–	1,703
Addition of entrusted deposits		(1,179,742)	(1,574,877)
Purchase of property, plant and equipment		(122,524)	(158,134)
Addition from structured deposits		(120,216)	(509,793)
Net cash outflows arising from capital reduction of an associate	49(a)	(103,746)	–
Purchase of intangible assets		(13,903)	–
(Advance to) repayment from investments accounted for using the equity method		(6,555)	169,977
Addition of equity instruments at fair value through other comprehensive income		(844)	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		788,013	(613,100)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(374,150)	(2,158,683)
Dividends paid		(134,902)	(137,680)
Repayment of lease liabilities		(8,581)	(8,327)
Drawdown of bank borrowings		321,366	2,269,904
NET CASH USED IN FINANCING ACTIVITIES		(196,267)	(34,786)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		852,015	(1,264,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,097,288	4,483,392
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		381,388	(121,815)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,330,691	3,097,288
Represented by:			
Cash and cash equivalents		4,330,691	3,097,288

1. GENERAL INFORMATION

Tianjin Development Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") are principally engaged in (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments accounted for using the equity method which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin, the People's Republic of China (the "**PRC**").

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 882). The directors of the Company consider Tsinlien Group Company Limited ("**Tsinlien**"), a company incorporated in Hong Kong, as the Company's ultimate holding company. Further details of Tsinlien are set out in Note 47(b).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). 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 of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (the "**Companies Ordinance**").

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", 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".

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.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments* to *References* to the *Conceptual Framework* in *HKFRS Standards and the amendments to HKFRSs* in the current year 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 June 2020
[5] Effective for annual periods beginning on or after 1 January 2021

Except for the new and 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *"Financial Instruments: Disclosures"* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has one Hong Kong Interbank Offered Rate bank borrowing which will be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for the borrowing change resulting from the reform on application of the amendments.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies

The principal accounting policies are set out below.

(a) Group accounting

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

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

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

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by *the Conceptual Framework for Financial Reporting* issued in October 2010).

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***(a) Group accounting** (Continued)*

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

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

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

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

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

(ii) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting *(Continued)*

(ii) Subsidiaries (Continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(iii) Associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(iii) Associates and joint ventures (Continued)

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.

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 AND 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

(v) Goodwill

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(a) Group accounting (Continued)

(v) Goodwill (Continued)

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

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

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(c) ***Foreign currency translation*** *(Continued)*

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(d) Property, plant and equipment

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(e) Land use rights

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

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

(f) Investment properties

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

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

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

(g) Intangible assets

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

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

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

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

In 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

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.

(i) Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at 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 fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

Equity instruments designated as at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***(i) Financial instruments** (Continued)*

Financial assets (Continued)

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

The Group performs impairment assessment under expected credit loss model on financial assets (including amounts due from investments accounted for using the equity method, amount due from ultimate holding company, amounts due from related companies, finance lease receivables, trade receivables, notes receivables, 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 expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) ***Financial instruments*** *(Continued)*

Financial assets (Continued)

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

Significant increase in credit risk

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***(i) Financial instruments** (Continued)*

Financial assets (Continued)

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

Significant increase in credit risk (Continued)

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

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

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) ***Financial instruments*** *(Continued)*

Financial assets (Continued)

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

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

Measurement and recognition of expected credit losses (Continued)

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

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

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

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

(j) Inventories

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

(k) Cash and cash equivalents

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

(l) Share capital

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

(m) Borrowings

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

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

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

(o) Current and deferred income tax

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(o) Current and deferred income tax (Continued)

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

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

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

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

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

(p) Employee benefits

(i) Retirement benefit costs and termination benefits

Employees of the Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. In addition, the Group also contributes to a mandatory provident fund scheme for all its employees in Hong Kong. Both schemes are defined contribution retirement benefit plans. All these contributions are based on a certain percentage of the staff's salary. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(p) *Employee benefits* *(Continued)*

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

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

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

(iii) Share-based compensation

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as considerations for equity instruments (options) of the Company. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). The total amount expensed is recognised in full when vested immediately on grant date or over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on the assessment of all relevant non-market vesting condition. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity over the vesting period.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(q) Revenue from contracts with customers

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(q) Revenue from contracts with customers (Continued)

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

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.

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

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 AND 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 is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

2. BASIS OF PREPARATION AND 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) when the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

As a lessor

Classification and measurement of leases

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

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

Refundable rental deposits

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

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(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 possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

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

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

(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 depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(v) Government grants (Continued)

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.

(w) Research and development expenditure

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are discussed below.

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

Critical judgement in applying accounting policies

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

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

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

(b) Recognition of government supplemental income

The Group's 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 and known 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 2020 (Note 4 (i)) based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area (the "**TEDA**"), a notice issued by the relevant government authority of TEDA and with reference to the Group's operating results in this segment. While the directors of the Company are of the opinion that the government supplemental income for the year ended 31 December 2020 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty

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

The electrical and mechanical segment incurred losses for the year ended 31 December 2020. The impairment assessments had been carried out as to its corresponding non-current assets. Determining whether the carrying amounts of the property, plant and equipment, land use rights and intangible assets (where there are indicators of impairment) are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value of the CGU. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Coronavirus (as defined in Note 4) pandemic may progress and evolve and the volatility in financial markets. The estimated recoverable amount of the non-current assets allocated to the CGU of Tianduan (as defined in Note 48), has been determined with reference to the value in use which requires the estimation of key assumptions in the preparation of cash flow projections and the discounted cash flow model. When the value in use is less than expected, an impairment loss would arise. The estimated recoverable amount of the non-current assets of Tianfa Equipment (as defined in Note 48) is measured at fair value less cost of disposal which is based on the valuation of land and buildings and assessed if any impairment would arise. Where the actual cash flows are less than expected, a material impairment loss may arise. Further details are set out in Note 21(a).

A subsidiary in the pharmaceutical segment incurred losses for the year ended 31 December 2020. The impairment assessments had been carried out as to its corresponding non-current assets. Determining whether the carrying amounts of the intangible assets and property, plant and equipment (where there are indicators of impairment) are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. The estimated recoverable amount of the non-current assets of a loss-making subsidiary of the pharmaceutical segment is measured at fair value less cost of disposal and value in use and assessed if any impairment would arise. The management of the Group engaged a qualified external valuer to assess the recoverable amounts of the individual assets subject to impairment testing. Where the recoverable amounts are less than the carrying amounts, an impairment loss may arise. Further details are set out in Note 21(b).

(b) Investments accounted for using the equity method

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(b) Investments accounted for using the equity method (Continued)

As at 31 December 2020, the carrying value of the Group's interest in a major listed investment accounted for using the equity method, Tianjin Port (as defined in Note 49), exceeded the market value (based on bid price quoted in an active market at 31 December 2020) of the Group's attributable holding therein by approximately HK$2,846,417,000 (2019: approximately HK$2,366,292,000). The carrying value of the Group's interest in Tianjin Port is approximately HK$3,661,120,000, net of impairment loss of approximately HK$300,000,000 (2019: approximately HK$3,387,904,000, net of impairment loss of approximately HK$300,000,000). Management has assessed the value in use of the Group's interest based on discounted cash flows. This assessment involves significant assumptions including discount rates, growth 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(d).

(c) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2020 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. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing Coronavirus pandemic has resulted in greater market volatility depending on how the Coronavirus pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. 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, travel restrictions implemented by many countries, 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.

(d) Provision of expected credit losses for trade receivables and contract assets

The Group uses provision matrix to calculate expected credit losses for trade receivables and contract assets collectively. The provision rates are based on comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates 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 expected credit losses are sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Coronavirus pandemic, the Group has increased the provision rates for operating segments in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the expected credit losses and the Group's trade receivables and contract assets are disclosed in Notes 45, 26 and 25, respectively.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(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 measurements and valuation processes

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK$1,703,873,000 as at 31 December 2020 (2019: HK$1,584,923,000) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Coronavirus pandemic has resulted in greater market volatility and may cause further disruptions to the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are disclosed in Note 45.

Some of the Group's assets are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

4. SEGMENT INFORMATION

Following the outbreak of Coronavirus Disease 2019 (the "**Coronavirus**") in early 2020, precautionary and control measures including travel restrictions, quarantine and temporary delays in resumption of work have been taken across the PRC. The ongoing Coronavirus outbreak in the PRC and beyond has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial performance for the current year.

As the overall impact of the Coronavirus outbreak is still unfolding, the Group has taken the necessary actions to minimise the disruptions to its operations and will continue to carefully monitor the situation and proactively implement measures to mitigate the impact to the Group's operations.

4. SEGMENT INFORMATION (Continued)

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers (the "**CODM**"). The CODM assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services. The accounting policies of the reportable segments are the same as those described in the basis of preparation and accounting policies. The following summary describes the operation in each of the Group's reportable segments.

(a) Utilities

This segment derives revenue from distribution of water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area, the PRC, while the result of electricity business of this segment is contributed by TEDA Power (as defined in Note 49), an investment accounted for using the equity method of the Group.

(b) Pharmaceutical

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

(c) Hotel

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

(d) Electrical and mechanical

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

(e) Port services

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

(f) Elevators and escalators

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

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

	Continuing operations				
Segments	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical business HK$'000	Total HK$'000
Types of goods or services					
Utilities					
Water	289,384	–	–	–	289,384
Heat and thermal power	975,773	–	–	–	975,773
	1,265,157	–	–	–	1,265,157
Pharmaceutical					
Manufacture and sales of pharmaceutical products	–	1,276,320	–	–	1,276,320
Design, manufacture and printing for pharmaceutical packaging	–	132,610	–	–	132,610
	–	1,408,930	–	–	1,408,930
Hotel	–	–	34,756	–	34,756
Electrical and mechanical					
Manufacture and sales of presses and mechanical equipment	–	–	–	785,983	785,983
Manufacture and sales of hydroelectric equipment and large scale pump units	–	–	–	251,344	251,344
	–	–	–	1,037,327	1,037,327
	1,265,157	1,408,930	34,756	1,037,327	3,746,170
Timing of revenue recognition					
A point in time	1,265,157	1,408,930	–	785,983	3,460,070
Over time	–	–	34,756	251,344	286,100
	1,265,157	1,408,930	34,756	1,037,327	3,746,170

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2019

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

4. SEGMENT INFORMATION (Continued)

Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

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

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

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

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

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

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2020

	Continuing operations								
	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$'000	Electricity business HK$'000	Total operating segments HK$'000
Segment revenue – external customers	1,265,157	1,408,930	34,756	1,037,327	–	–	3,746,170	–	3,746,170
Operating (loss) profit before interest	(9,033)	66,939	(19,682)	(212,140)	–	–	(173,916)	–	(173,916)
Interest income	40,768	36,400	74	5,657	–	–	82,899	–	82,899
Impairment loss on property, plant and equipment	–	(62,590)	–	(11,085)	–	–	(73,675)	–	(73,675)
Impairment loss on intangible assets	–	(5,406)	–	–	–	–	(5,406)	–	(5,406)
Finance costs	–	(5,368)	–	(14,115)	–	–	(19,483)	–	(19,483)
Share of net profit of associates and joint ventures accounted for using the equity method	27,708	4,828	–	–	134,911	330,331	497,778	–	497,778
Profit (loss) before tax	59,443	34,803	(19,608)	(231,683)	134,911	330,331	308,197	–	308,197
Tax (expense) credit	(894)	(28,476)	3,261	2,118	–	–	(23,991)	–	(23,991)
Segment results – profit (loss) for the year	58,549	6,327	(16,347)	(229,565)	134,911	330,331	284,206	–	284,206
Non-controlling interests	(2,711)	(5,184)	–	53,815	–	(57,015)	(11,095)	–	(11,095)
Profit (loss) attributable to owners of the Company	55,838	1,143	(16,347)	(175,750)	134,911	273,316	273,111	–	273,111
Segment results – profit (loss) for the year includes:									
Depreciation and amortisation	34,437	81,228	15,056	68,587	–	–	199,308	–	199,308

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2019

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	2020 HK$'000	2019 HK$'000
Reconciliation of profit for the year		
Total reportable segments	284,206	686,293
Corporate and others (note (ii))	17,517	(42,503)
Profit for the year	301,723	643,790

notes:

(i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK$289,384,000 and HK$975,773,000, respectively (2019: HK$349,580,000 and HK$1,062,999,000, respectively).

The above revenue included government supplemental income of HK$125,595,000 (2019: HK$203,670,000).

(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								
	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others HK$'000 (note)	Total HK$'000
As at 31 December 2020									
Segment assets	3,592,261	7,783,359	488,016	2,586,671	3,661,120	864,221	18,975,648	4,903,760	23,879,408
Segment liabilities	1,584,073	971,092	5,269	1,979,238	–	–	4,539,672	2,298,955	6,838,627

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

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

4. SEGMENT INFORMATION (Continued)

Other segment information

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

	2020 HK$'000	2019 HK$'000
The PRC	3,711,414	4,443,223
Hong Kong	34,756	105,835
Continuing operations	3,746,170	4,549,058
Electricity business – the PRC	–	499,190
	3,746,170	5,048,248

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

	2020 HK$'000	2019 HK$'000
The PRC	10,153,584	9,832,222
Hong Kong	447,377	455,015
	10,600,961	10,287,237

5. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest income	195,015	173,380
Government grants	39,743	37,491
Dividend income from equity instruments at fair value through other comprehensive income held at the end of the reporting period	2,103	16,511
Rental income, net of negligible outgoings	2,502	8,321
Sales of scrap materials	4,001	4,707
Finance lease interest income	5,334	–
Sundries	53,226	75,079
	301,924	315,489

6. OTHER LOSSES, NET

	2020 HK$'000	2019 HK$'000
Continuing operations		
Impairment loss on intangible assets (Note 18)	(5,406)	(7,491)
Impairment loss on property, plant and equipment (Note 14)	(73,675)	(73,262)
Net gain (loss) on disposal/written off of property, plant and equipment	435	(261)
Net exchange gain (loss)	44,758	(22,994)
(Allowance for) reversal of impairment losses:		
– trade receivables (note)	(132,342)	62,521
– contract assets (note)	(17,022)	(13,630)
– other receivables (note)	13,355	(258)
– inventories	(6,928)	–
Gain on disposal of a subsidiary (Note 40)	33,422	–
(Decrease) increase in fair value of investment properties (Note 16)	(12,261)	15,667
Net fair value gain on financial assets held for trading		
– listed	1,288	200
– unlisted	5,440	31,421
	(148,936)	(8,087)

note: Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in Note 45(b).

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest expenses on bank borrowings	70,125	83,889
Interest expenses on amount due to a related company (Note 47(b))	363	1,038
Interest on lease liabilities	326	315
	70,814	85,242
Less: Amounts capitalised on construction in progress (included in property, plant and equipment)	–	(281)
	70,814	84,961

8. ELECTRICITY BUSINESS

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

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

The net assets of Electricity Company at the date of disposal were as follows:

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

8. ELECTRICITY BUSINESS (Continued)

The results from electricity business for the period from 1 January to 22 April 2019, 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 22 April 2019 HK$'000
Revenue	499,190
Cost of sales	(497,510)
Gross Profit	1,680
Other income	3,754
Selling and distribution expenses	(3,732)
General and administrative expenses	(2,414)
Other operating expenses	(46)
Loss before tax	(758)
Tax expense	(612)
Loss for the period	(1,370)
Attributable to:	
Owner of the Company	(1,293)
Non-controlling interests	(77)
	(1,370)
Loss for the period from electricity business includes:	
Auditor's remuneration	41

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

9. TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Continuing operations		
Current taxation		
PRC Enterprise Income Tax ("**EIT**")	85,199	62,598
Deferred taxation (Note 35)	(9,756)	(707)
	75,443	61,891

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 on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group's principal subsidiaries operate, as follows:

	2020 HK$'000	2019 HK$'000
Continuing operations		
Profit before tax	377,166	571,035
Less: share of net profit of associates and joint ventures accounted for using the equity method	(505,760)	(363,420)
	(128,594)	207,615
Calculated at applicable tax rates	(12,276)	50,381
Income not subject to taxation	(49,508)	(53,109)
Expenses not deductible for taxation purposes	85,350	48,482
Underprovision in prior years	31,080	2,060
Tax losses not recognised	20,797	14,077
Tax expense	75,443	61,891

The weighted average applicable tax rate is 21.59% (2019: 24.27%).

10. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year from continuing operations is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 11)	569,928	590,630
Cost of inventories recognised as an expense	2,030,364	2,167,011
Depreciation		
– charged to cost of sales	148,925	156,357
– charged to administrative expenses	58,195	31,480
– charged to selling expenses	561	158
– charged to other operating expenses	387	27,779
Depreciation of land use rights	7,413	8,683
Amortisation of intangible assets	2,939	248
Short-term lease expenses on		
– plants, pipelines and networks	35,480	59,557
– land and buildings	9,793	9,260
Auditor's remuneration	11,353	11,413
Research and development costs charged to other operating expenses	163,141	235,477

Where government grants, including 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 2020, Coronavirus related government grants amounted to HK$6,925,000 have been offset against employees' benefits expense.

11. EMPLOYEES' BENEFITS EXPENSE

	2020 HK$'000	2019 HK$'000
Wages, salaries, bonus and social security costs recognised under continuing operations	**569,928**	590,630

(a) Emoluments of directors and chief executive

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

For the year ended 31 December 2020

Name of director	Fees HK$'000	Salaries and other benefits[i] HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payment expense HK$'000	Total HK$'000
Executive Directors:						
Zhang Bingjun[ii, iii]	–	–	–	–	–	–
Chen Yanhua[ii, vi]	–	–	–	–	–	–
Li Xiaoguang[vi]	–	1,136	850	–	–	1,986
Zhuang Qifei[ii, vi]	–	–	–	–	–	–
Cui Xiaofei[ii, vi]	–	–	–	–	–	–
Wang Zhiyong[ii, iv]	–	–	–	–	–	–
Non-Executive Directors:						
Cheung Wing Yui, Edward	318	60	–	–	–	378
Chan Ching Har, Eliza[v]	93	–	–	–	–	93
Independent Non-Executive Directors:						
Cheng Hon Kwan	382	60	–	–	–	442
Mak Kwai Wing, Alexander	382	60	–	–	–	442
Ng Yi Kum, Estella	382	60	–	–	–	442
Wong Shiu Hoi, Peter	382	60	–	–	–	442
Loke Yu	382	60	–	–	–	442
	2,321	1,496	850	–	–	4,667

11. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

For the year ended 31 December 2019

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

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

(ii) During the years ended 31 December 2020 and 2019, the director's emoluments were borne by Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司).

(iii) Appointed on 17 October 2020.

(iv) Resigned on 16 October 2020.

(v) Resigned on 15 April 2020.

(vi) Appointed on 29 August 2019.

(vii) Resigned on 29 August 2019.

(viii) Dr. Yang Chuan received his emolument from a subsidiary of the Company.

(ix) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

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

11. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

(xi) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended 31 December 2020 and 2019.

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

(b) Five highest paid individuals

The five highest paid individuals of the Group include one director (2019: Nil), and his emolument is shown in Note 11(a) above. The emoluments of the remaining four (2019: five) individuals with the highest emoluments were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	3,812	5,499
Discretionary bonuses	597	1,161
Retirement scheme contributions	116	169
	4,525	6,829

The emoluments of the four (2019: five) highest paid individuals who are not the directors of the Company fell within the following bands:

	2020	2019
Emolument bands (HK$)		
500,000–1,000,000	2	–
1,000,001–1,500,000	1	3
1,500,001–2,000,000	1	2
	4	5

(c) Emoluments of senior management

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

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	2,274	3,678
Discretionary bonuses	482	448
Retirement scheme contributions	36	48
	2,792	4,174

11. EMPLOYEES' BENEFITS EXPENSE (Continued)

(c) Emoluments of senior management (Continued)

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

	2020	2019
Emolument bands (HK$)		
1,000,001–2,000,000	2	3

12. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
– 2020 interim dividend, paid – HK3.00 cents per share (2019: HK3.26 cents per share)	32,183	34,972
– 2019 final dividend, paid – HK4.78 cents per share (2018: HK4.78 cents per share)	51,278	51,278
	83,461	86,250

A final dividend of HK4.78 cents (2019: HK4.78 cents) per share for the year ended 31 December 2020, amounting to HK$51,278,400 (2019: HK$51,278,400), has been proposed by the board of directors of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

For continuing operations and electricity business

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

Earnings

	2020 HK$'000	2019 HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share – from continuing operations and electricity business	294,478	461,441

13. EARNINGS PER SHARE (Continued)

For continuing operations and electricity business (Continued)

Number of shares

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

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

	2020 HK$'000	2019 HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share – from continuing operations	**294,478**	326,718

Number of shares

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

note: The computation of diluted earnings per share does not assume the exercise of the share options issued by an investment accounted for using the equity method of the Group and the Company 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 and the Company, respectively, for both years.

For electricity business

For the year ended 31 December 2019, basic earnings per share for the electricity business was HK12.56 cents per share and diluted earnings per share for the electricity business was HK12.56 cents per share based on the profit for the year attributable to owners of the Company from the electricity business of HK$134,723,000 and the denominators detailed above for both basic and diluted earnings per share.

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
COST								
At 1 January 2020	2,685,739	24,367	2,272,086	159,534	26,084	77,802	5,215	5,250,827
Exchange differences	156,183	709	143,237	7,906	1,395	7,354	474	317,258
Additions	2,117	14,516	53,687	10,890	409	55,507	–	137,126
Transfers	3,187	–	6,449	639	99	(13,163)	2,789	–
Disposals/write off	–	–	(13,261)	(7,114)	(1,374)	–	(295)	(22,044)
Disposal of a subsidiary (Note 40)	–	–	–	–	(436)	–	(791)	(1,227)
Addition arising from capital reduction of an associate	–	–	–	81	–	–	–	81
Transferred from investment properties (Note 16)	4,128	–	–	–	–	–	–	4,128
At 31 December 2020	2,851,354	39,592	2,462,198	171,936	26,177	127,500	7,392	5,686,149
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2020	787,926	9,517	1,427,658	121,675	19,689	23,113	1,831	2,391,409
Exchange differences	51,132	133	93,874	6,052	1,056	1,482	123	153,852
Charge for the year	90,874	9,048	92,170	13,945	1,748	–	283	208,068
Impairment loss recognised (Note 6)	55,918	–	17,305	452	–	–	–	73,675
Disposals/write off	–	–	(11,460)	(6,543)	(1,345)	–	(120)	(19,468)
Disposal of a subsidiary (Note 40)	–	–	–	–	(346)	–	(786)	(1,132)
At 31 December 2020	985,850	18,698	1,619,547	135,581	20,802	24,595	1,331	2,806,404
CARRYING VALUE								
At 31 December 2020	1,865,504	20,894	842,651	36,355	5,375	102,905	6,061	2,879,745
COST								
At 1 January 2019	2,754,731	13,311	2,198,703	154,035	27,300	133,435	12,919	5,294,434
Exchange differences	(55,489)	(188)	(49,373)	(2,639)	(518)	(2,082)	(162)	(110,451)
Additions	3,678	11,244	40,951	14,998	755	94,708	235	166,569
Transfers	26,675	–	119,172	2,026	386	(148,259)	–	–
Disposals/write off	(3,129)	–	(37,367)	(8,886)	(1,839)	–	(7,777)	(58,998)
Transferred to investment properties (Note 16)	(40,727)	–	–	–	–	–	–	(40,727)
At 31 December 2019	2,685,739	24,367	2,272,086	159,534	26,084	77,802	5,215	5,250,827
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2019	720,747	–	1,317,399	118,331	19,848	23,641	8,813	2,208,779
Exchange differences	(15,048)	(19)	(30,761)	(1,961)	(367)	(528)	(81)	(48,765)
Charge for the year	86,648	9,536	103,705	13,829	1,935	–	121	215,774
Impairment loss recognised (Note 6)	49	–	73,141	72	–	–	–	73,262
Disposals/write off	(1,829)	–	(35,826)	(8,596)	(1,727)	–	(7,022)	(55,000)
Transferred to investment properties (Note 16)	(2,641)	–	–	–	–	–	–	(2,641)
At 31 December 2019	787,926	9,517	1,427,658	121,675	19,689	23,113	1,831	2,391,409
CARRYING VALUE								
At 31 December 2019	1,897,813	14,850	844,428	37,859	6,395	54,689	3,384	2,859,418

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 2020, buildings with a carrying amount of approximately HK$338 million (2019: HK$353 million) have been pledged to secure banking borrowings.

(c) **The Group as lessee**

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

	Leased properties HK$'000
As at 31 December 2020	
Carrying amount	**20,894**
As at 31 December 2019	
Carrying amount	14,850
For the year ended 31 December 2020	
Depreciation charged	**9,048**
For the year ended 31 December 2019	
Depreciation charged	9,536

	2020 **HK$'000**	2019 HK$'000
Total cash outflows for leases	**54,180**	77,459
Additions to right-of-use-assets	**14,516**	11,244

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

notes: (Continued)

(c) The Group as lessee (Continued)

As at 31 December 2020, included in the leased properties of property, plant and equipment are i.) offices of HK$11,482,000 (2019: HK$4,900,000); and ii.) a warehouse of HK$9,412,000 (2019: HK$9,950,000).

In addition, lease liabilities of HK$14,516,000 (2019: HK$7,158,000) are recognised with related right-of-use assets of HK$14,516,000 (2019: HK$11,244,000) during the year ended 31 December 2020.

As at 31 December 2020, the carrying amount of right-of-use assets and lease liabilities were HK$20,894,000 (2019: HK$14,850,000) and HK$19,644,000 (2019: HK$12,248,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Details of impairment assessment of property, plant and equipment for both years are set out in Note 21.

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 2020, land use rights with a carrying amount of approximately HK$68 million (2019: HK$65 million) have been pledged to secure banking borrowings granted to the Group.

During the year ended 31 December 2019, the Group disposed of land use rights with a carrying value of HK$12,243,000 (2020: nil) 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
As at 31 December 2020			
Carrying amount	**261,321**	**366,127**	**627,448**
As at 31 December 2019			
Carrying amount	261,618	351,122	612,740
For the year ended 31 December 2020			
Depreciation charged	**297**	**7,116**	**7,413**
For the year ended 31 December 2019			
Depreciation charged	297	8,386	8,683

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2019	190,895
Transfer from property, plant and equipment (Note 14)	38,086
Increase in fair value recognised in profit or loss (Note 6)	15,667
Exchange differences	(5,161)
At 31 December 2019	**239,487**
Transfer to property, plant and equipment (Note 14)	**(4,128)**
Decrease in fair value recognised in profit or loss (Note 6)	**(12,261)**
Exchange differences	**14,444**
At 31 December 2020	**237,542**

notes:

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

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

(c) During the year ended 31 December 2020, certain property in Tianjin with an aggregate fair value amount of HK$4,128,000 were transferred from investment properties to property, plant and equipment due to the commencement of owner-occupation. There was no material difference between the carrying amount and the fair value of such property as at date of transfer.

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

(e) The fair values as at 31 December 2020 and 2019 have been arrived at based on a valuation carried out by Vigers Appraisal and Consulting Limited ("**Vigers**"), an independent valuer not connected with the Group. The valuation was determined either on the basis of capitalisation of net rental income derived from existing tenancies or by reference to comparable market transactions. There has been no change from the valuation technique used in the prior year.

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

16. INVESTMENT PROPERTIES (Continued)

notes: (Continued)

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

Description	Fair value hierarchy	Fair value at 31 December 2020 HK$'000	2019 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Tianjin	Level 3	119,597	113,505	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4.3% – 5.3%; 367.9 and 8,800 (2019: 4.3% – 5.3%; 367.9 and 9,050)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
Property 2 in Tianjin	Level 3	65,677	71,763	Market comparable approach	Selling price per square meter in RMB	5,688 – 5,822 (2019: 6,455 – 7,052)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	–	4,096	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	2019: 4% – 4.5%; 440.6 and 5,000	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
Property 4 in Tianjin	Level 3	52,268	50,123	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4% – 4.5%, 245.0 and 2,000 (2019: 4% – 4.5%, 247.0 and 5,000)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
		237,542	239,487				

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

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2020 HK$'000	2019 HK$'000
The Group's interests in associates and joint ventures		
– Listed shares in Hong Kong		
– Tianjin Port	**3,661,120**	3,387,904
– Unlisted shares in the PRC		
– Otis China	**864,221**	746,406
– Research Institute	**875,736**	830,323
– TEDA Power	**1,353,370**	1,244,313
– Others	**77,790**	349,531
	6,832,237	6,558,477
Market value of listed shares		
– Tianjin Port	**814,703**	1,021,612

Share of associates' and joint ventures' taxation for the year ended 31 December 2020 of HK$130,020,000 (2019: HK$154,828,000) is included in the consolidated statement of profit or loss as share of net profit of associates and joint ventures accounted for using the equity method. Impairment loss of approximately HK$300,000,000 was recognised on an investment accounted for using the equity method – Tianjin Port in prior years. Particulars regarding impairment testing on an investment accounted for using the equity method is disclosed in Note 21(d).

Details of principal associates and joint ventures, which in the directors' opinion materially affect the results and/or net assets of the Group as at 31 December 2020 are set out in Note 49.

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

Summarised financial information of material associates and joint ventures

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

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

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000
Current assets	**12,496,876**	12,103,737	**20,392,212**	17,770,475	**1,357,514**	1,182,094	**2,180,978**	2,060,010
Non-current assets	**35,154,273**	32,716,920	**2,166,458**	1,945,753	**2,030,837**	1,732,114	**1,472,057**	1,447,370
Current liabilities	**(10,615,225)**	(8,339,045)	**(18,090,545)**	(15,889,982)	**(560,365)**	(294,093)	**(612,141)**	(674,871)
Non-current liabilities	**(7,959,795)**	(9,974,248)	**(22,583)**	(23,400)	**(210,485)**	(201,214)	**(195,731)**	(183,966)

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000	**Year ended 31 December 2020 HK$'000**	For the period from 23 April 2019 to 31 December 2019 HK$'000
Revenue	**15,492,831**	15,077,403	**20,594,715**	19,006,983	**904,679**	1,034,337	**2,135,215**	1,618,032
Profit (loss) for the year, attributable to owners of the associate and joint venture	**642,434**	389,246	**1,651,655**	1,323,644	**(21,209)**	(18,760)	**58,841**	30,483
Other comprehensive income (expense) for the year, attributable to owners of the associate and joint venture	**813,759**	(213,586)	**346,748**	(85,110)	**150,963**	(52,363)	**172,750**	(116,214)
Total comprehensive income (expense) for the year, attributable to owners of the associate and joint venture	**1,456,193**	175,660	**1,998,403**	1,238,534	**129,754**	(71,123)	**231,591**	(85,731)
Dividends received from associate and joint venture during the year	**32,584**	36,076	**281,865**	261,307	**–**	–	**–**	–

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

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

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

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000	**At 31 December 2020 HK$'000**	At 31 December 2019 HK$'000
Equity attributable to owners of the associate and joint venture	**13,489,177**	12,188,965	**4,317,973**	3,723,776	**2,501,674**	2,399,384	**2,845,163**	2,648,543
Proportion of the Group's ownership interest in the associate and joint venture	**2,832,727**	2,559,683	**863,595**	744,755	**875,586**	839,784	**1,339,787**	1,247,199
Goodwill	**820,729**	820,729	**–**	–	**–**	–	**–**	–
Other adjustments	**7,664**	7,492	**626**	1,651	**150**	(9,461)	**13,583**	(2,886)
Carrying amount of the Group's interest in the associate and joint venture	**3,661,120**	3,387,904	**864,221**	746,406	**875,736**	830,323	**1,353,370**	1,244,313

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
The Group's share of profit	**20,233**	9,161
The Group's share of other comprehensive income (expense)	**10,522**	(7,943)
The Group's share of total comprehensive income	**30,755**	1,218
Aggregate carrying amount of the Group's interests in these investments	**77,790**	349,531
Dividends received from associates and joint ventures	**8,139**	1,099

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

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

The Group has discontinued recognition of its share of losses of an investment accounted for using the equity method, which was disposed of upon the disposal of Heavenly Palace (as defined in Note 48) as detailed in Note 40. The amounts of cumulative unrecognised share of losses for both years are as follows:

	For the period from 1 January 2020 to 27 October 2020 HK$'000	Year ended 31 December 2019 HK$'000
The unrecognised owner's share of profit of an investment accounted for using the equity method for the year	13,633	428
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	(262,593)	(276,226)

18. INTANGIBLE ASSETS

	Development costs HK$'000 (note (i))	Patents HK$'000 (note (ii))	Technical know-how HK$'000 (note (iii))	Total HK$'000
COST				
At 1 January 2019	33,120	231,267	12,557	276,944
Exchange differences	(739)	(5,163)	(280)	(6,182)
At 31 December 2019	32,381	226,104	12,277	270,762
Addition	–	–	13,903	13,903
Transfer	–	12,373	(12,373)	–
Exchange differences	2,075	7,353	872	10,300
At 31 December 2020	34,456	245,830	14,679	294,965
AMORTISATION AND IMPAIRMENT				
At 1 January 2019	33,120	225,970	–	259,090
Exchange differences	(739)	(5,048)	(126)	(5,913)
Charge for the year	–	248	–	248
Impairment (Note 6)	–	–	7,491	7,491
At 31 December 2019	32,381	221,170	7,365	260,916
Transfer	–	7,424	(7,424)	–
Exchange differences	2,075	7,225	59	9,359
Charge for the year	–	2,939	–	2,939
Impairment (Note 6)	–	5,406	–	5,406
At 31 December 2020	34,456	244,164	–	278,620
CARRYING VALUE				
At 31 December 2020	–	1,666	14,679	16,345
At 31 December 2019	–	4,934	4,912	9,846

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.

(iv) Details of impairment assessment of intangible assets for both years are set out in Note 21.

18. INTANGIBLE ASSETS (Continued)

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

Development costs	3 years
Patents	10 to 11 years

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	notes	2020 HK$'000	2019 HK$'000
Equity securities			
Listed, at market value	(i)	87,882	98,135
Unlisted	(ii)	1,703,873	1,584,923
		1,791,755	1,683,058

	HK$'000
At 1 January 2019	2,114,590
Exchange differences	(38,896)
Change in fair value	(392,636)
At 31 December 2019	1,683,058
Addition	844
Exchange differences	103,880
Change in fair value	3,973
At 31 December 2020	1,791,755

notes:

(i) The listed securities mainly represent the Group's 4.07% (2019: 4.69%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2020, the market value of the Group's equity interest in Binhai Investment was HK$65,558,000 (2019: HK$80,433,000) and the unrealised fair value loss of HK$14,875,000 (2019: gain of HK$11,570,000) was recognised in other comprehensive income.

(ii) The unlisted equity securities mainly represented the Group's 12.15% (2019: 12.15%) equity interest in Tasly Holding Group Co., Ltd. ("**Tasly Holding**"). Tasly Holding is a conglomerate in the PRC and is mainly holding Tasly Pharmaceutical Group Co., Ltd., which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical product in the PRC.

Other unlisted equity securities are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi. The unlisted equity instruments are measured at fair value through other comprehensive income and details of fair value measurements are disclosed in Note 45.

20. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for machinery. The terms of finance leases entered into usually range from 2 to 3 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

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

During the year ended 31 December 2020, the Group has recognised finance lease receivables upon the completion of capital reduction of an associate and the associate became a subsidiary of the Group. Details of which are disclosed in Note 49(a). As at 31 December 2020, finance lease receivables amounted to HK$124,840,000, net of allowance for credit losses of HK$457,000.

	Minimum lease payments 2020 HK$'000	Present value of minimum lease payments 2020 HK$'000
Finance lease receivables comprise:		
Within one year	36,445	35,567
In the second year	95,897	89,273
Gross investment in the lease	132,342	124,840
Less: unearned finance income	(7,502)	–
Present value of minimum lease payment receivables	124,840	124,840
Analysed as:		
Current		35,567
Non-current		89,273
		124,840

Interest rates implicit in the above finance leases range from 4.8% to 6% 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 2020, finance lease receivables amounting to HK$89,273,000 are due from related parties.

Details of impairment assessment are set out in Note 45.

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

(a) For the purposes of impairment testing, the carrying amounts of non-current assets including property, plant and equipment, land use rights and intangible assets set out in Notes 14, 15 and 18, respectively, under the electrical and mechanical segment (as set out in Note 4, which comprises Tianduan and Tianfa Equipment) after impairment, are as follows:

	2020 HK$'000	2019 HK$'000
Electrical and mechanical segment		
Property, plant and equipment	663,592	699,114
Land use rights	172,614	164,967
Intangible assets	14,679	–

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

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

As at 31 December 2020, the recoverable amount of the CGU of Tianduan which is the higher of value in use and fair value less costs of disposal, was determined from value in use calculation based on the discounted cash flow model. The calculation uses cash flow projections based on the most recent financial budgets provided by the management for the coming five years and discount rate of 8% (2019: 8%). The cash flows beyond the budget years are extrapolated using a steady 2.7% (2019: 3%) growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margins, such estimation is based on the past performance of the CGU of Tianduan and the management's expectations of the market development. The cash flows projections, growth rates and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to how the Coronavirus pandemic may progress and evolve and volatility in financial markets. No impairment loss was recognised on non-current assets of Tianduan based on such assessment for both years.

The estimated recoverable amount of the non-current assets of Tianfa Equipment is measured at fair value less cost of disposal which is mainly based on the valuation of land and building under Level 3 hierarchy using replacement cost approach. As at 31 December 2020, the recoverable amount is lower than the carrying amount of the property, plant and equipment of Tianfa Equipment and an impairment loss of HK$11,085,000 (2019: HK$58,915,000) was recognised during the year.

21. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INTANGIBLE ASSETS AND AN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) As at 31 December 2020, the management of the Group conducted an impairment assessment on property, plant and equipment and intangible assets held by a loss-making subsidiary of the pharmaceutical segment. A qualified external valuer was engaged by the management of the Group to assess the recoverable amount of individual assets with reference to the fair value less cost of disposal based on Level 3 hierarchy using replacement cost approach. As at 31 December 2020, the carrying amounts of the property, plant and equipment and the intangible assets have been reduced to their recoverable amounts and impairment losses of HK$62,590,000 (2019: HK$14,347,000) and HK$5,406,000 (2019: HK$7,491,000) were recognised during the year, respectively, with reference to the fair value less cost of disposal or value in use. The carrying amounts of property, plant and equipment and intangible assets after impairment amounted to HK$189,558,000 and nil, respectively (2019: HK$251,712,000 and HK$4,912,000, respectively).

(c) As at 31 December 2020, the management of the Group conducted an impairment assessment on property, plant and equipment and related leasehold land (included in land use rights) held by a loss-making subsidiary of the hotel segment. The recoverable amount of which are measured at fair value less cost of disposal based on Level 3 hierarchy using direct comparison method and the carrying amounts of those owned properties of HK$436,042,000 (2019: N/A) have not been reduced since the amounts of fair value less cost of disposal are higher than the carrying amounts.

(d) The Group tests the impairment for investments accounted for using the equity method if there are indications that they might have been impaired. Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK$814,703,000 (2019: HK$1,021,612,000) 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 2020, the recoverable amount of the interest in Tianjin Port which is the higher of value in use and fair value less costs of disposal, was determined from value in use calculation. The calculation uses discounted cash flows which require the estimation of key assumptions and inputs including discount rates, growth rate and expected dividend income. The cash flows of the expected dividend income are extrapolated using a steady 2.9% (2019: 3%) growth rate with a discount rate of 4.4% (2019: 4.4%). 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, which is subjected to higher degree of estimation uncertainties in the current year due to how the Coronavirus pandemic may progress and evolve.

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

22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**195,172**	217,686
Work in progress	**434,103**	475,112
Finished goods	**398,707**	408,929
Consumable stocks	**3,598**	3,902
	1,031,580	1,105,629

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

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

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

				Maximum amount outstanding during the year	
	2020 HK$'000	2019 HK$'000	At 1 January 2019 HK$'000	2020 HK$'000	2019 HK$'000
Amounts due from related companies	**80,530**	65,788	59,236	**91,813**	66,261
Amounts due to related companies	**236,339**	369,349			

The balances are denominated in Renminbi and are unsecured, interest-free and have no fixed repayment term except for the amount due to a related company of HK$22,321,000 as at 31 December 2019 (2020: nil) which carried fixed interest rate of 4.57% per annum and was due within one year. Details of the relationship with related companies are set out in Note 47(b).

25. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Machinery construction contracts	**191,650**	280,979

As at 1 January 2019, contract assets amounted to HK$379,799,000.

25. CONTRACT ASSETS (Continued)

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%–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 2020, included in contract assets are retentions of HK$21,025,000 (2019: HK$197,535,000) which is expected to be realised beyond twelve months from the end of the reporting period. The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle.

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

	notes	2020 HK$'000	2019 HK$'000
Trade receivables			
Trade receivables – exposure at default	(a), (b)	880,191	721,595
Trade receivables – gross		880,191	721,595
Less: allowance for credit losses	(b)	(188,032)	(32,528)
Trade receivables – net		692,159	689,067
Notes receivables	(d)	594,478	437,757
	(c)	1,286,637	1,126,824
Other receivables, deposits and prepayments		225,767	465,848

As at 1 January 2019, trade receivables (net of allowance) from contracts with customers amounted to HK$544,730,000.

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

notes:

(a) Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 days are granted to corporate customers of the Group's hotel business; (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (iii) 30 to 180 days are granted to customers in the pharmaceutical segment. No credit terms are granted to customers in the utilities segment. Receivables classified as fully performing are trade receivables that are neither past due nor impaired and with no history of default payment.

Annual government supplemental income receivables do not have credit terms and the amounts are finalised by the TEDA Finance Bureau each financial year. Continuous settlements have been received by the Group over the years and the balance of which as at 31 December 2020 was HK$254,055,000 (2019: HK$192,255,000).

(b) As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK$369,842,000 (2019: HK$171,114,000) which are past due as at the reporting date. Out of the past due balances, HK$236,494,000 (2019: HK$11,059,000) has been past due 90 days or more and is not considered by the management of the Group as in default by considering the subsequent and historical repayment from the trade debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2020 and 2019 are set out in Note 45(b).

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

	2020 HK$'000	2019 HK$'000
Within 30 days	473,975	914,947
31 to 90 days	188,934	42,722
91 to 180 days	320,062	50,953
181 to 365 days	152,751	112,353
Over 1 year	150,915	5,849
	1,286,637	1,126,824

(d) As at 31 December 2020, total notes receivables amounting to HK$594,478,000 (2019: HK$437,757,000) are held by the Group for future settlement of trade receivables. All notes receivables by the Group are with a maturity period of less than one year.

As at 31 December 2020, notes receivables with an aggregate carrying amount of HK$75,672,000 (2019: HK$92,644,000) 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.

(e) The carrying amounts of trade and notes receivables, other receivables and deposits approximate their fair values and they are mainly denominated in Renminbi. The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivables mentioned above. The Group has no significant concentration of credit risk.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Investments held for trading:		
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	13,081	451
Listed funds in the PRC	18,037	11,775
Unlisted funds in Hong Kong	237,206	–
Unlisted funds in the PRC	104,463	6,974
Unlisted trust funds in the PRC (note)	216,100	410,420
	594,246	434,979
Market values of listed shares	18,440	5,810
Market values of listed funds	18,037	11,775

The balances 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 set out in Note 45.

note: The above unlisted trust funds are measured at fair value on a recurring basis at the end of each reporting period. As at 31 December 2020, the fair value of the investments of HK$216,100,000 (2019: HK$410,420,000) is based on Level 2 measurement (inputs which are derived from other than quoted prices included within Level 1 that are observable for the asset or liability).

28. STRUCTURED DEPOSITS

As at 31 December 2020, the Group placed with two licensed commercial banks (2019: one licensed commercial bank) in the PRC for principal-protected RMB-denominated structured deposits with maturity from 2 to 6 months (2019: 6 months) after the end of the reporting period. The expected annual interest rate for the structured deposits is indicated from 1.6% to 4.4% (2019: 4.4%), however, the actual interest to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at fair value through profit or loss under HKFRS 9.

29. ENTRUSTED DEPOSITS

As at 31 December 2020, the entrusted deposits were placed with seven financial institutions (2019: seven financial institutions) in the PRC, with maturity from 1 to 14 months (2019: 1 to 6 months) after the end of the reporting period. The deposits carry the expected rates of return ranging from 6.0% to 8.7% (2019: 6.0% to 8.5%) per annum.

Contracts with maturity over one year confer the Group rights of early redemption at amortised costs, before the maturity date. Accordingly, those deposits were classified as current assets as at 31 December 2020.

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

	2020 HK$'000	2019 HK$'000
Cash at banks and in hand	3,673,362	2,188,353
Time deposits with maturity less than three months	651,440	907,534
Balances with other financial institutions	5,889	1,401
Cash and cash equivalents	4,330,691	3,097,288
Time deposits with maturity over three months	2,115,271	2,257,953
Restricted bank balances (note)	140,570	329,669
	6,586,532	5,684,910

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

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

31. SHARE CAPITAL

	Number of shares Thousand	Value HK$'000
Issued and fully paid ordinary shares with no par value:		
At 1 January 2019, 31 December 2019 and 2020	1,072,770	5,136,285

32. SHARE OPTION SCHEME

The Company adopted an equity-settled share option scheme (the "**Option Scheme**") on 25 May 2007 under which the directors may, at their discretion and within 10 years from the approval date, offer to grant options to the participants pursuant to the criteria set out in the Option Scheme. The Company operates the Option Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time. The subscription price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet (the "**Daily Quotation**") on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Daily Quotation for the five business days immediately preceding the date of grant; and (iii) HK$0.10 of a share. A cash consideration of HK$1 is payable by the grantee on acceptance of the offer of grant of any option. The life of the Option Scheme expired on 24 May 2017.

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

Details of share options granted by the Company are as follows:

			Number of share options								
Date of grant	Exercisable period	Exercise price HK$	Balance at 1 January 2019	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2019	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2020
16 December 2009	16 December 2009 to 24 May 2019 (note)	5.750	3,000,000	–	–	(3,000,000)	–	–	–	–	–
3 December 2010	3 December 2010 to 24 May 2019 (note)	6.070	300,000	–	–	(300,000)	–	–	–	–	–
7 November 2011	11 November 2011 to 24 May 2019 (note)	3.560	4,500,000	–	–	(4,500,000)	–	–	–	–	–
19 December 2012	19 December 2012 to 24 May 2019 (note)	4.060	5,000,000	–	–	(5,000,000)	–	–	–	–	–
20 December 2013	20 December 2013 to 24 May 2019 (note)	5.532	8,000,000	–	–	(8,000,000)	–	–	–	–	–
			20,800,000	–	–	(20,800,000)	–	–	–	–	–
Exercisable at the end of the year			20,800,000				–				–

32. SHARE OPTION SCHEME (Continued)

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

33. RESERVES

	Capital reserve HK$'000	General reserve HK$'000 note (i)	Statutory reserves HK$'000 note (i)	Share-based payments reserve HK$'000	Other reserves HK$'000 note (ii)	Exchange reserve HK$'000	Fair value through other comprehensive income reserve HK$'000 note (iii)	Sub-total HK$'000	Retained earnings HK$'000 note (iv)	Total HK$'000
At 1 January 2019	9,010	135,515	815,569	22,729	(1,531,646)	322,423	598,945	372,545	5,808,169	6,180,714
Profit for the year	–	–	–	–	–	–	–	–	461,441	461,441
Other comprehensive expense for the year	–	–	–	–	–	(240,677)	(95,374)	(336,051)	–	(336,051)
Dividends (Note 12)	–	–	–	–	–	–	–	–	(86,250)	(86,250)
Disposal of a subsidiary (Note 8)	–	(51,785)	(42,676)	–	–	(133,728)	–	(228,189)	228,189	–
Transfer between reserves	–	3,881	35,932	–	–	–	–	39,813	(39,813)	–
Transfer upon lapse of share options	–	–	–	(21,753)	–	–	–	(21,753)	21,753	–
Others	–	628	5,647	–	–	–	–	6,275	–	6,275
At 31 December 2019	9,010	88,239	814,472	976	(1,531,646)	(51,982)	503,571	(167,360)	6,393,489	6,226,129
Profit for the year	–	–	–	–	–	–	–	–	294,478	294,478
Other comprehensive income (expense) for the year	–	–	–	–	–	692,384	(3,581)	688,803	–	688,803
Dividends (Note 12)	–	–	–	–	–	–	–	–	(83,461)	(83,461)
Disposal of a subsidiary (Note 40)	(9,774)	(61,715)	(92,049)	–	–	167,216	–	3,678	(3,678)	–
Transfer between reserves	–	–	31,656	–	–	–	–	31,656	(31,656)	–
Others	–	(576)	–	–	–	–	–	(576)	–	(576)
At 31 December 2020	(764)	25,948	754,079	976	(1,531,646)	807,618	499,990	556,201	6,569,172	7,125,373

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.

33. RESERVES (Continued)

notes: (Continued)

(ii) Other reserves mainly represented reserves arising from reorganisation in prior years and the merger reserve arising from acquisition of Thrive Leap (as defined in Note 48) in 2015, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap. Other reserves of HK$25,374,000 represented reserves arising from assets restructuring of Tianjin Port in 2017.

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

(iv) Retained earnings arising from investments accounted for using the equity method amounted to HK$1,462,230,000 (2019: HK$1,183,912,000).

34. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Non-current		
Bank borrowings		
– Secured	–	–
– Unsecured	1,990,417	1,985,417
	1,990,417	1,985,417
Current		
Bank borrowings		
– Secured	285,860	229,911
– Unsecured	53,444	141,316
	339,304	371,227
Total borrowings	2,329,721	2,356,644

notes:

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

	2020 HK$'000	2019 HK$'000
Bank borrowings:		
Within one year	339,304	371,227
More than two years but not more than five years	1,990,417	1,985,417
	2,329,721	2,356,644

34. BANK BORROWINGS (Continued)

notes: (Continued)

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

	2020 HK$'000	2019 HK$'000
Bank borrowings:		
Renminbi	339,304	371,227
Hong Kong dollar	1,990,417	1,985,417
	2,329,721	2,356,644

(c) The range of annual interest rates is 2.67% to 5.66% (2019: 3.95% to 5.66%) and the effective interest rates of bank borrowings at the end of the reporting period are as follows:

	2020 %	2019 %
Bank borrowings:		
Renminbi	4.83	4.66
Hong Kong dollar	2.67	3.95

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

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

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

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

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

35. DEFERRED TAXATION

	2020 HK$'000	2019 HK$'000
Deferred tax assets	56,236	47,213
Deferred tax liabilities	(254,339)	(236,488)
Deferred tax liabilities, net	(198,103)	(189,275)

35. DEFERRED TAXATION (Continued)

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$1,270,055,000 (2019: HK$1,161,469,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(b) The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated depreciation HK$'000	Revaluation of property HK$'000	Provisions for impairment HK$'000	Tax losses HK$'000	Fair value adjustments on business combination HK$'000	Fair value adjustment on equity instrument at fair value through other comprehensive income HK$'000	Total HK$'000
At 1 January 2019	(12,329)	(12,692)	4,277	52,835	(25,989)	(262,980)	(256,878)
Deferred tax credited (charged) to profit or loss	1,048	(3,918)	3,839	(2,164)	1,902	–	707
Deferred tax credited to other comprehensive income	–	–	–	–	–	60,657	60,657
Exchange differences	(136)	1,131	(159)	–	549	4,854	6,239
At 31 December 2019	(11,417)	(15,479)	7,957	50,671	(23,538)	(197,469)	(189,275)
Deferred tax (charged) credited to profit or loss	(329)	3,065	1,283	3,852	1,885	–	9,756
Deferred tax charged to other comprehensive income	–	–	–	–	–	(4,679)	(4,679)
Addition arising from capital reduction of an associate	–	–	3,054	–	–	–	3,054
Exchange differences	419	(3,791)	746	–	(1,407)	(12,926)	(16,959)
At 31 December 2020	(11,327)	(16,205)	13,040	54,523	(23,060)	(215,074)	(198,103)

36. TRADE PAYABLES/NOTES PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 30 days	315,778	338,984
31 to 90 days	319,078	163,061
91 to 180 days	173,337	207,305
Over 180 days	598,347	366,230
	1,406,540	1,075,580

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

37. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals	520,871	623,789
Other payables	537,708	570,340
	1,058,579	1,194,129

38. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Provision of utilities and other related supporting facilities	800,138	732,519
Machinery construction contracts	591,804	577,677
Sale of pharmaceutical products	18,649	31,372
Others	416	–
	1,411,007	1,341,568

As at 1 January 2019, contract liabilities amounted to HK$1,154,721,000.

38. CONTRACT LIABILITIES (Continued)

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

	Provision of utilities and other supporting facilities		Machinery construction contracts		Sale of pharmaceutical products	
	2020	2019	**2020**	2019	**2020**	2019
	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	**310,248**	221,378	**388,800**	407,095	**24,219**	26,997

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 2020, included in the contract liabilities are receipt in advance of HK$800,138,000 (2019: HK$732,519,000) 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.

Machinery construction contracts

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

Sale of pharmaceutical products

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

39. LEASE LIABILITIES

Lease liabilities payables:

	2020 HK$'000	2019 HK$'000
Within one year	7,258	4,900
Within a period of more than one year but not more than two years	4,224	–
Within a period of more than two years but not more than five years	4,194	2,479
Within a period of more than five years	3,968	4,869
	19,644	12,248
Less: Amount due for settlement with 12 months shown under current liabilities	(7,258)	(4,900)
Amount due for settlement after 12 months shown under non-current liabilities	12,386	7,348

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate of 4.35% (2019: 4.35%) per annum.

40. DISPOSAL OF A SUBSIDIARY

On 18 June 2020, the Company entered into a conditional state-owned equity transfer agreement with Tianjin Food Group Co., Ltd. (天津食品集團有限公司) ("**Tianjin Food**"), a fellow subsidiary of Tsinlien (as defined in Note 47), pursuant to which, the Company had conditionally agreed to sell the entire equity interest of Heavenly Palace, a direct wholly-owned subsidiary of the Company, to Tianjin Food at a cash consideration of RMB331,922,200 (equivalent to approximately HK$389,226,000) (the "**Disposal**"). The consideration was determined with reference to the appraised net asset value of Heavenly Palace and the dividend receivable by the Company in an aggregate sum of RMB149,955,090 (equivalent to approximately HK$172,959,000) payable by Heavenly Palace. As Heavenly Palace does not represent a major line of business or geographical area of operation, the Disposal does not constitute a discontinued operation. The Disposal was completed on 27 October 2020 and the Group recognised a disposal gain of HK$33,422,000.

40. DISPOSAL OF A SUBSIDIARY (continued)

	27 October 2020 HK$'000
Consideration received:	
Cash received	389,226
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	95
Investments accounted for using the equity method	26,696
Inventories	977
Amounts due from investments accounted for using the equity method	51,832
Trade receivables	3,850
Other receivables, deposits and prepayments	56,052
Cash and cash equivalents	227,470
Trade payables	(803)
Other payables and accruals	(11,141)
Dividend payables	(172,959)
Current tax liabilities	(27)
Net assets disposed of	182,042
Gain on disposal of a subsidiary:	
Net assets disposed of	(182,042)
Dividend payables	(172,959)
Consideration	389,226
Transaction costs	(803)
Gain on disposal	33,422
Net cash inflow arising on Disposal:	
Bank balance and cash disposed of	(227,470)
Consideration	389,226
	161,756

The impact of Heavenly Palace on the Group's results and cash flows during the year was not significant.

41. OPERATING LEASES

The Group as lessors

As at 31 December 2020, all of the properties held for rental purposes have committed lessees for the next 1 to 18 years (2019: 1 to 19 years) respectively.

Undiscounted lease payments receivables on leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	8,405	9,559
In the second year	5,515	7,899
In the third year	5,515	5,183
In the fourth year	5,515	5,183
In the fifth year	5,515	5,183
After five years	16,546	20,732
	47,011	53,739

42. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted but not provided for in respect of		
– Additions to property, plant and equipment	146,381	207,574

43. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances, land use rights and buildings of HK$140,570,000, HK$68,455,000 and HK$338,067,000 (2019: HK$329,669,000, HK$64,597,000 and HK$352,922,000), respectively, were pledged to financial institutions by the Group to secure general banking facilities.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK$'000	2019 HK$'000
Profit before tax from continuing operations	377,166	571,035
Profit before tax from electricity business	–	135,258
	377,166	706,293
Adjustments for:		
Share of net profit of associates and joint ventures accounted for using the equity method	(505,760)	(363,420)
Finance costs	70,814	84,961
Interest income	(195,015)	(175,622)
Finance lease interest income	(5,334)	–
Depreciation	215,481	224,457
Amortisation	2,939	248
Gain on disposal of a subsidiary (Notes 8 & 40)	(33,422)	(136,016)
Gain on capital reduction of an associate	(15,708)	–
Write-off of goodwill upon deregistration of a subsidiary	–	1,419
Impairment loss on intangible assets	5,406	7,491
Impairment loss on property, plant and equipment	73,675	73,262
Impairment loss, net of reversal		
– Trade receivables	132,342	(62,521)
– Contract assets	17,022	13,630
– Other receivables	(13,355)	258
– Inventories	6,928	–
Net exchange (gain) loss	(44,758)	22,994
Dividend income from equity instruments at fair value through other comprehensive income	(2,103)	(16,511)
Net (gain) loss on disposal/written off of property, plant and equipment	(435)	261
Unrealised gain on financial assets at fair value through profit or loss	(6,728)	(31,621)
Decrease (increase) in fair value of investment properties	12,261	(15,667)
Operating cash flows before movements in working capital	91,416	333,896
Changes in working capital:		
Inventories	129,364	(219,279)
Finance lease receivables	325,521	–
Trade receivables	(97,360)	(95,848)
Notes receivables	(121,845)	6,553
Other receivables, deposits and prepayments	239,696	(378,811)
Financial assets at fair value through profit or loss	(117,697)	49,793
Trade payables	169,014	(88,623)
Notes payables	69,491	103,190
Other payables and accruals	(217,644)	(162,178)
Amount due from ultimate holding company	79	(22)
Amounts due from/to related companies	(158,379)	(214,584)
Contract assets	84,652	78,251
Contract liabilities	(15,722)	186,069
Cash generated from (used in) operations	380,586	(401,593)

45. FINANCIAL RISK MANAGEMENT

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

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets mandatorily required to be measured at fair value through profit or loss		
– Held-for-trading	594,246	434,979
– Others	1,295,724	1,316,517
	1,889,970	1,751,496
Financial assets at amortised cost	8,161,290	7,311,152
Equity instruments designated at fair value through other comprehensive income	1,791,755	1,683,058
Financial liabilities		
Amortised cost	4,408,711	4,263,011

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The actual foreign exchange risk faced by the Group is primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss and borrowings made by the Group which are denominated in currencies (mainly Hong Kong dollar) other than the functional currency of the relevant group entities (collectively the "**Non-Functional Currency Items**").

The Group has foreign currency sales in its electrical and mechanical business segment 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.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

At 31 December 2020, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2019: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$46,827,000 (2019: HK$60,453,000) as a result of the translation of the Non-Functional Currency Items. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, and except for US$ 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$.

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares, listed funds, unlisted trust funds and unlisted funds are classified on the consolidated statement of financial position as equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss specified in Notes 19 and 27, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2019: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK$26,376,000 (2019: HK$32,222,000) and HK$132,736,000 (2019: HK$126,913,000), respectively.

(iii) Interest rate risk

Other than the structured deposits, entrusted deposits and bank balances and deposits specified in Notes 28, 29 and 30, respectively, the Group has no other significant assets bearing interest.

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

The Group's interest rate risk is mainly arising from bank borrowings (the "**Interest Bearing Liabilities**") set out in Note 34. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include borrowings of HK$1,990,417,000 (2019: HK$1,985,417,000) at variable rates and HK$339,304,000 (2019: HK$371,227,000) at fixed rates.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) *Market risk* *(Continued)*

(iii) Interest rate risk (Continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. The Group's Interest Bearing Liabilities may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

If interest rates had been 50 basis points (2019: 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 2020 would decrease/increase by HK$8,310,000 (2019: HK$8,289,000).

If interest rates had been 25 basis points (2019: 25 basis points) higher/lower for Hong Kong dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK$1,841,000 (2019: HK$1,038,000); if interest rates had been 25 basis points (2019: 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$12,065,000 (2019: HK$11,837,000).

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

(b) Credit and counterparty risk and impairment assessment

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 receivables, notes receivables, 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 properties 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 expected credit loss model on balances of trade receivables and contract assets collectively based on provision matrix.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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 expected credit losses 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 have no significant increase in credit risk since initial recognition. Expected credit loss 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 2020, the amounts of impairment losses made for these balances were insignificant and a reversal of impairment loss of HK$13,355,000 on other receivables was recognised upon its settlement in full. No impairment losses were made for these balances as at 31 December 2019.

Notes receivables and bank balances

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

Structured deposits and entrusted deposits

The Group's structured deposits and entrusted deposits are placed with or arranged through state-owned banks/entities and other financial institutions in the PRC. The Group had a significant concentration of credit risk at 31 December 2020 because it had placed structured deposits and entrusted deposits of HK$120 million and HK$1,176 million, respectively (2019: HK$33 million and HK$1,283 million, respectively) with two banks and seven financial institutions, respectively (2019: one bank and seven financial institutions, respectively) in the PRC.

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

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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

2020	Notes	External credit rating	Internal credit rating	12-month or lifetime expected credit losses	Gross carrying amount HK$'000
Financial assets at amortised cost					
Amounts due from investments accounted for using the equity method	23	N/A	(note a)	12-month ECL	12,715
Amount due from ultimate holding company	23	N/A	(note a)	12-month ECL	235
Amounts due from related companies	24	N/A	(note a)	12-month ECL	80,530
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	140,570
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	2,115,271
Bank balances	30	AA+ to AAA	N/A	12-month ECL	4,330,691
Finance lease receivables	20	N/A	(note a)	12-month ECL	125,297
Notes receivables	26	A to AAA	N/A	12-month ECL	594,478
Other receivables	26	N/A	(note a)	12-month ECL	44,695
Trade receivables	26	N/A	(note b)	Lifetime ECL (provision matrix)	701,740
				Credit-impaired	178,451
Other item					
Contract assets	25	N/A	(note b)	Lifetime ECL (provision matrix)	195,079
				Credit-impaired	99,122

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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

notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2020 and 2019, the Group considers that the credit loss from these balances are not significant since these balances are either not past due or without fixed repayment terms.

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

As part of the Group's credit risk management, the Group uses provision matrix to calculate expected credit losses for trade receivables and contract assets collectively. The provision rates are based on the comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates that is reasonable and supportable without undue costs or effort. Due to greater financial uncertainty triggered by the Coronavirus pandemic, the Group has increased the provision rates for operating segments in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit-impaired). Debtors credit-impaired with gross carrying amounts of HK$277,573,000 (2019: HK$99,075,000), as at 31 December 2020 were assessed individually. No debtors with significant outstanding balances are noted as at 31 December 2019 and 2020.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Gross carrying amount

	At 31 December 2020		
	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Operating segment			
Utilities – water and heat and thermal power	0.16%–0.67%	378,785	–
Pharmaceutical	2.20%–5.93%	161,962	–
Hotel	13.48%	2,283	–
Electrical and mechanical	2.20%–5.93%	158,710	195,079
		701,740	195,079

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

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

45. 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 under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	8,706	87,441	96,147
– Impairment losses recognised (reversed)	1,464	(63,985)	(62,521)
– Exchange adjustments	(217)	(881)	(1,098)
As at 31 December 2019	9,953	22,575	32,528
– Impairment losses (reversed) recognised	(809)	133,151	132,342
– Others	–	13,130	13,130
– Exchange adjustments	437	9,595	10,032
As at 31 December 2020	9,581	178,451	188,032

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 2019	8,529	59,059	67,588
– Transfer	(221)	221	–
– Impairment losses (reversed) recognised	(265)	13,895	13,630
– Exchange adjustments	(112)	(1,625)	(1,737)
As at 31 December 2019	7,931	71,550	79,481
– Impairment losses (reversed) recognised	(4,744)	21,766	17,022
– Exchange adjustments	242	5,806	6,048
As at 31 December 2020	3,429	99,122	102,551

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

Gross carrying amount (Continued)

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

The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. According to the Group's historical experience, the irrecoverable trade receivables do not exceed the recorded allowances and the directors are of the opinion that adequate ECL provision for trade receivables has been made in the consolidated financial statements.

For the Group's electrical and mechanical business which involves a long production cycle, there are policies in place to ensure the production process is consistent with the contracted schedule. The provisions of services are made to customers with appropriate credit history and periodic credit evaluations of customers are performed. The aggregate net carrying amount of the relevant trade receivables and contract assets of electrical and mechanical business that are subject to credit risk is HK$156,018,000 and HK$191,650,000 respectively (2019: HK$190,257,000 and HK$280,979,000, respectively) as at 31 December 2020. The directors are of the opinion that adequate ECL provision for uncollectible trade receivables has been made in the consolidated financial statements.

As at 31 December 2020, 67% (2019: 65%) of the Group's financial assets were bank deposits, structured deposits and entrusted deposits, which were placed with state-owned banks and other financial institutions in the PRC. For utilities business, except for an amount of HK$254 million (2019: HK$192 million), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2020 and 2019 respectively. The residential, commercial and industrial customers in utilities segment demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record. For trade receivables arising from Tianfa Equipment, a subsidiary in the electrical and mechanical segment, around 23% (2019: 23%) were receivable from top 5 customers. In view that the management of this electrical and mechanical business has established relationships with a wide base of customers, the directors consider that the concentration risk is not significant.

(c) ***Liquidity risk***

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

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

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK$4,331 million (2019: HK$3,097 million), bank borrowings of approximately HK$2,330 million (2019: HK$2,357 million) and lease liabilities of approximately HK$20 million (2019: HK$12 million), respectively.

45. 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	Undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 December 2020						
Bank borrowings	400,389	49,795	1,990,418	–	2,440,602	2,329,721
Amounts due to related companies	236,339	–	–	–	236,339	236,339
Trade payables, notes payables and other payables	1,842,651	–	–	–	1,842,651	1,842,651
	2,479,379	49,795	1,990,418	–	4,519,592	4,408,711
Lease liabilities	7,258	5,649	4,274	4,276	21,457	19,644
At 31 December 2019						
Bank borrowings	448,154	68,100	2,049,226	–	2,565,480	2,356,644
Amounts due to related companies	369,349	–	–	–	369,349	369,349
Trade payables, notes payables and other payables	1,537,018	–	–	–	1,537,018	1,537,018
	2,354,521	68,100	2,049,226	–	4,471,847	4,263,011
Lease liabilities	4,900	–	4,017	5,357	14,274	12,248

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.

45. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio is calculated as net debt divided by equity attributable to the owners of the Company. Net debt is calculated as bank borrowings and lease liabilities (including current and non-current portions as shown in the consolidated statement of financial position) less total cash and bank deposits. During the current year, the Group's policy, which was unchanged from prior year, was to maintain a net gearing ratio of not more than 40%.

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

	2020 HK$'000	2019 HK$'000
Total cash and bank deposits	6,586,532	5,684,910
Less: bank borrowings	(2,329,721)	(2,356,644)
Less: Lease liabilities	(19,644)	(12,248)
Net cash	4,237,167	3,316,018
Shareholders' funds	12,261,658	11,362,414
Net gearing position	Net cash	Net cash

Fair value measurements of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 inputs are unobservable inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to perform the valuation.

45. 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 31 December 2020 HK$'000	Fair value as at 31 December 2019 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments at fair value through other comprehensive income						
– listed equity securities	87,882	98,135	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted equity securities – a private company in the PRC	1,577,191	1,473,361	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 0.93% (2019: 1.07% (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
– other unlisted equity securities	126,682	111,562	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 8.97%–9.74% (2019: 5.08%–7.04%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	1,791,755	1,683,058				
Financial assets at fair value through profit or loss						
– listed equity securities	18,440	5,810	Level 1	Quoted bid price in active markets	N/A	N/A
– listed funds	18,037	11,775	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted funds	341,669	6,974	Level 2	Redemption value quoted by the relevant investment fund with reference to the underlying assets (mainly listed securities) of the fund	N/A	N/A
– unlisted trust funds	216,100	410,420	Level 2	Redemption value quoted by banks or financial institutions with reference to the underlying assets (mainly listed securities and government bonds) of the trust fund	N/A	N/A
– structured deposits	119,952	33,482	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
– entrusted deposits	1,175,772	1,283,035	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	1,889,970	1,751,496				

45. 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 2020, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK$14,790,000 (2019: HK$14,837,000) and a 1% decrease in the dividend yield holding all other variables constant would increase the carrying amount of the unlisted equity securities by HK$15,089,000 (2019: HK$15,136,000).

(ii) As at 31 December 2020, 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$5,787,000 (2019: HK$6,277,000).

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK$'000
At 1 January 2019	2,029,492
Fair value change recognised in other comprehensive expense (note)	(406,066)
Exchange differences	(38,503)
At 31 December 2019	1,584,923
Addition	844
Fair value change recognised in other comprehensive income (note)	15,546
Exchange differences	102,560
At 31 December 2020	**1,703,873**

note: Included in other comprehensive income is an amount of HK$15,546,000 (other comprehensive expense in 2019: HK$406,066,000) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "fair value through other comprehensive income reserve".

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

45. FINANCIAL RISK MANAGEMENT (Continued)

Fair value measurements of financial instruments (Continued)

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

The directors of the Company consider that the carrying amounts of trade receivables, notes receivables, other receivables, finance lease receivables, structured deposits, entrusted deposits, restricted bank balances, time deposits with maturity over three months, cash and cash equivalents, trade payables, notes payables, other payables, short-term bank borrowings and balances with investments accounted for using the equity method, ultimate holding company and related companies that are recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000	Dividend payables HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2019	13,311	–	2,156,606	2,169,917
Financing cash flows	(8,327)	(137,680)	111,221	(34,786)
Inception of leases	7,158	–	–	7,158
Interest expenses recognised	315	–	–	315
Dividend declared	–	137,680	–	137,680
Reclassification from notes receivables	–	–	92,644	92,644
Foreign exchange translation	(209)	–	(3,827)	(4,036)
At 31 December 2019	**12,248**	**–**	**2,356,644**	**2,368,892**
Financing cash flows	**(8,581)**	**(134,902)**	**(52,784)**	**(196,267)**
Inception of leases	**14,516**	**–**	**–**	**14,516**
Interest expenses recognised	**326**	**–**	**–**	**326**
Dividend declared	**–**	**134,902**	**–**	**134,902**
Foreign exchange translation	**1,135**	**–**	**25,861**	**26,996**
At 31 December 2020	**19,644**	**–**	**2,329,721**	**2,349,365**

47. RELATED PARTY TRANSACTIONS

(a) Connected persons

On 14 March 2016, the Company entered into a master sales agreement (the "**Master Sales Agreement**") with Tianjin Pharmaceutical in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products by the Group to the Tianjin Pharmaceutical and its subsidiaries (the "**Tianjin Pharmaceutical Group**") for a term commencing from 1 May 2016 and up to 31 December 2018. On 6 December 2018, the Master Sales Agreement is renewed from 1 January 2019 up to 31 December 2021. As Tianjin Pharmaceutical is an 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 2020, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB62,946,000 (equivalent to HK$70,805,000) (2019: RMB72,425,000 (equivalent to HK$82,207,000)).

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

(b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2019: 62.81%) of the Company's shares as at 31 December 2020. The remaining 37.19% (2019: 37.19%) of the Company's shares are widely held.

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

For the years ended 31 December 2020 and 2019, 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.

47. 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 2020 set out in Notes 20, 23 and 24, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

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

	2020 HK$'000	2019 HK$'000
Interest expense (Note 7)	363	1,038
Short-term lease expenses for land	–	1,704
Short-term lease expenses for plants, pipelines and networks	31,529	58,825
Purchase of goods	6,229	12,207
Purchase of materials	–	9,438
Purchase of steam for sale of heat and thermal power	831,248	889,210
Sales of goods	94,751	82,588
Finance lease interest income	3,337	–

note: The related parties are entities controlled by Tianjin Pharmaceutical, entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries and an investment accounted for using the equity method. Balances with related companies are set out in Notes 20, 23 and 24.

(ii) Key management compensation

	2020 HK$'000	2019 HK$'000
Fees	–	–
Salaries, share-based payment expense and other emoluments	4,742	4,606
Retirement benefits scheme contribution	36	48
	4,778	4,654

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

48. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2020 and 2019 are set out below:

			Percentage					
			2020			2019		
Name	Principal activities	Registered capital/issued and paid up capital	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %
Established and operating in the PRC								
Tianjin Lisheng Pharmaceutical Co., Ltd. ("**Lisheng**")# 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs	RMB182,454,992	34.41	–	51.36	34.41	–	51.36
Tianjin Yiyao Printing Co., Ltd.^^ 天津宜藥印務有限公司	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	RMB39,450,000	43.55	–	65	43.55	–	65
Tianjin Heavenly Palace Winery Co., Ltd. ("**Heavenly Palace**")* (Note 40) 天津天宮葡萄釀酒有限公司	Investment holding	RMB80,018,400	N/A	N/A	N/A	100	100	–
Tianjin Tai Kang Investment Co., Ltd. ("**Tianjin Tai Kang**")^ 天津泰康投資有限公司	Investment holding	RMB1,030,269,383	82.74	82.74	–	82.74	82.74	–
Tianjin Development Assets Management Co., Ltd.* 天津發展資產管理有限公司	Investment holding	RMB838,239,651	100	100	–	100	100	–
Tianjin TEDA Tsinlien Water Supply Co., Ltd.^ 天津泰達津聯自來水有限公司	Supply of water	RMB163,512,339	91.41	–	91.41	91.41	–	91.41
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.^ 天津泰達津聯熱電有限公司	Supply of steam and thermal power	RMB262,948,258	90.94	–	90.94	90.94	–	90.94
Tianjin Tianduan Press Co., Ltd. ("**Tianduan**")^^ 天津市天鍛壓力機有限公司	Manufacture and sale of presses and mechanical equipment	RMB50,776,070	64.91	–	78.45	64.91	–	78.45
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("**Tianfa Equipment**")^^ 天津市天發重型水電設備製造有限公司	Manufacture and sale of hydroelectric equipment and large scale pump unit	RMB413,397,627	82.74	–	100	82.74	–	100
Incorporated in the Cayman Islands and operating in Hong Kong								
Thrive Leap Limited ("**Thrive Leap**")	Investment holding	US$10,000	67	–	67	67	–	67
Incorporated in the British Virgin Islands and operating in Hong Kong								
Dynamic Infrastructure Limited	Investment holding	US$5	100	100	–	100	100	–
Leadport Holdings Limited	Investment holding	US$1	100	100	–	100	100	–
Incorporated and operating in Hong Kong								
Tsinlien Realty Limited 津聯置業有限公司	Operation of Courtyard by Marriott Hong Kong	HK$200,000	100	–	100	100	–	100
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK$15	100	–	100	100	–	100

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

* Wholly-foreign owned enterprise
^ Sino-foreign equity joint venture
# Listed on the Shenzhen Stock Exchange with limited liability
^^ Limited liability company

48. PRINCIPAL SUBSIDIARIES (Continued)

Composition of the Group

At the end of the reporting period, the Company has 30 (2019: 30) other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A majority of these subsidiaries operate in Hong Kong.

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

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

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Tianjin Tai Kang	The PRC	**17.26**	17.26	**11,713**	28,169	**746,015**	705,828
Thrive Leap Group	Cayman Islands/Hong Kong	**33**	33	**(7,178)**	149,228	**3,974,775**	3,771,185
Other individual immaterial subsidiaries with non-controlling interests				**2,710**	4,952	**58,333**	52,385
				7,245	182,349	**4,779,123**	4,529,398

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

Tianjin Tai Kang

	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Current assets	**3,383,266**	3,011,600
Non-current assets	**1,925,845**	1,928,063
Current liabilities	**(2,154,343)**	(2,016,590)
Non-current liabilities	**(28,145)**	(24,546)
Equity attributable to owners of the Company	**2,380,608**	2,192,699
Non-controlling interests	**746,015**	705,828

48. PRINCIPAL SUBSIDIARIES (Continued)

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

Tianjin Tai Kang *(Continued)*

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	1,037,327	1,127,285
Share of net profit of associates and joint ventures accounted for using the equity method	341,635	272,087
Profit for the year	150,087	181,253
Other comprehensive income (expense) for the year	176,572	(63,534)
Total comprehensive income for the year	326,659	117,719
Profit for the year attributable to non-controlling interests	11,713	28,169
Total comprehensive income for the year attributable to non-controlling interests	56,334	14,160
Net cash inflow from operating activities	28,133	55,062
Net cash inflow from investing activities	194,498	268,406
Net cash inflow (outflow) from financing activities	17,534	(110,336)
Net cash inflow	240,165	213,132

Thrive Leap Group

	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Current assets	3,567,707	3,497,767
Non-current assets	4,214,923	4,010,665
Current liabilities	(750,052)	(842,983)
Non-current liabilities	(221,152)	(206,882)
Equity attributable to owners of the Company	2,836,651	2,687,382
Non-controlling interests	3,974,775	3,771,185

48. PRINCIPAL SUBSIDIARIES (Continued)

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

Thrive Leap Group *(Continued)*

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	1,408,930	1,903,359
Share of net profit of associates and joint ventures accounted for using the equity method	4,828	2,685
(Loss) profit for the year	(31,135)	231,960
Other comprehensive income (expense) for the year	414,803	(484,122)
Total comprehensive income (expense) for the year	383,668	(252,162)
(Loss) profit for the year attributable to non-controlling interests of Thrive Leap Group	(7,178)	149,228
Total comprehensive income (expense) for the year attributable to non-controlling interests	233,823	(152,734)
Dividends paid to non-controlling interests	(29,948)	(30,220)
Net cash inflow from operating activities	112,835	269,955
Net cash (outflow) inflow from investing activities	(123,268)	1,440,264
Net cash outflow from financing activities	(144,255)	(60,622)
Net cash (outflow) inflow	(154,688)	1,649,597

48. PRINCIPAL SUBSIDIARIES (Continued)

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

Additional information to Thrive Leap Group:

Lisheng and its subsidiaries (Consolidated in Thrive Leap Group)

	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Current assets	2,710,546	2,753,564
Non-current assets	3,272,144	3,207,003
Current liabilities	(652,533)	(799,906)
Non-current liabilities	(219,214)	(219,759)
Equity attributable to Thrive Leap	2,624,980	2,537,647
Non-controlling interests	2,485,963	2,403,255

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	1,265,665	1,777,227
Share of net gain of associates and joint ventures accounted for using the equity method	12,251	9,251
(Loss) profit for the year	(1,234)	222,977
Other comprehensive income (expense) for the year	198,243	(335,602)
Total comprehensive income (expense) for the year	197,009	(112,625)
(Loss) profit for the year attributable to non-controlling interests	(600)	108,456
Total comprehensive income (expense) for the year attributable to non-controlling interests	95,826	(54,781)
Dividends paid to non-controlling interests	(29,948)	(30,220)
Net cash inflow from operating activities	85,906	304,570
Net cash outflow from investing activities	(104,518)	(74,970)
Net cash outflow from financing activities	(84,431)	(74,800)
Net cash (outflow) inflow	(103,043)	154,800

49. PRINCIPAL ASSOCIATES AND JOINT VENTURES

(a) Associates

Name	Principal activities	Registered capital/issued and paid up capital	2020 Effective interest attributable to the Group %	2020 Held by the Company %	2020 Held by subsidiaries %	2019 Effective interest attributable to the Group %	2019 Held by the Company %	2019 Held by subsidiaries %
Established and operating in the PRC								
Otis Elevator (China) Investment Company Limited ("**Otis China**") 奧的斯電梯（中國）投資有限公司	Manufacturing and selling of elevators and escalators	US$79,625,000	16.55	–	20	16.55	–	20
Liaoning Wunushan Milan Winery Co., Ltd. ("**Milan Winery**") 遼寧五女山米蘭酒業有限公司	Brewing and processing of wine and ice wine products business	RMB20,000,000	N/A	N/A	N/A	25	–	25
Benefo Financial*	Operation of finance leasing business	RMB500,000,000	N/A	N/A	N/A	40	–	40
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	RMB72,881,000	23.45	–	35	23.45	–	35
Tianjin TEDA Electric Power Co., Ltd. ("**TEDA Power**")^ (Note 8) 天津泰達電力有限公司	Supply of electricity	RMB1,100,164,686	47.09	–	47.09	47.09	–	47.09
Incorporated in the Cayman Islands, operating in and listed in Hong Kong								
Tianjin Port Development Holdings Limited ("**Tianjin Port**")# 天津港發展控股有限公司	Provision of port services	HK$615,800,000	21	–	21	21	–	21

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

^ Sino-foreign equity joint venture

Listed on the Main Board of the Stock Exchange

* On 14 October 2020, a capital reduction was conducted by the other shareholder within Benefo Financial that made it became a subsidiary of the Group since then. At the date of the capital reduction, Benefo Financial's net asset position was approximately RMB249 million, which mainly represented finance lease receivables of RMB385 million, bank balances and cash of RMB248 million and capital reduction payable of RMB339 million. Included in the profit for the year is approximately HK$6 million attributable to the additional business generated by Benefo Financial. Had the capital reduction of Benefo Financial been completed on 1 January 2020, the profit for the year from continuing operations would have been approximately HK$354 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of the results of operations of the Group that actually would have been achieved had the capital reduction been completed on 1 January 2020, nor is it intended to be a projection of future results.

Milan Winery was disposed of upon the disposal of Heavenly Palace as detailed in Note 40.

49. PRINCIPAL ASSOCIATES AND JOINT VENTURES (Continued)

(b) Joint ventures

			Percentage					
			2020			2019		
Name	Principal activities	Registered capital/issued and paid up capital	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %
Established and operating in the PRC								
Tianjin Haihe Dairy Company Limited ("**Haihe Dairy**") 天津海河乳業有限公司	Production and sale of dairy products	RMB200,000,000	N/A	N/A	N/A	40	–	40
Liaoning Wang Chao Wunushan Icewine Co., Ltd. ("**Wunushan Icewine**") 遼寧王朝五女山冰酒莊有限公司	Operation of hospitality business	RMB98,250,000	N/A	N/A	N/A	56	–	56

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

Both Haihe Dairy and Wunushan Icewine were disposed of upon the disposal of Heavenly Palace as detailed in Note 40.

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 30 March 2021.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		11,335	4,913
Investment properties		119,596	113,504
Interests in subsidiaries		3,859,924	4,018,840
Advances to subsidiaries		6,221,846	5,890,626
		10,212,701	10,027,883
Current assets			
Amount due from ultimate holding company		235	399
Other receivables, deposits and prepayments		2,712	4,974
Cash and cash equivalents		821,310	698,815
		824,257	704,188
Total assets		11,036,958	10,732,071
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves	52	1,708,262	1,520,431
Total equity		6,844,547	6,656,716
LIABILITIES			
Non-current liabilities			
Bank borrowings		1,990,417	1,985,417
Amounts due to subsidiaries		2,159,842	2,039,148
Deferred tax liabilities		3,419	3,213
Lease liability		4,162	–
		4,157,840	4,027,778
Current liabilities			
Accruals		27,435	42,721
Lease liability		7,136	4,856
		34,571	47,577
Total liabilities		4,192,411	4,075,355
Total equity and liabilities		11,036,958	10,732,071
Net current assets		789,686	656,611
Total assets less current liabilities		11,002,387	10,684,494

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 30 March 2021 and are signed on its behalf by:

Chen Yanhua *Director*	Li Xiaoguang *Director*

52. RESERVES OF THE COMPANY

	Share-based payments reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2019	19,362	1,012,910	698,093	1,730,365
Profit for the year	–	–	27,302	27,302
Other comprehensive expense for the year	–	(150,986)	–	(150,986)
Lapse of share options	(19,362)	–	19,362	–
Dividends	–	–	(86,250)	(86,250)
At 31 December 2019	–	861,924	658,507	1,520,431
Loss for the year	–	–	(142,983)	(142,983)
Other comprehensive income for the year	–	414,275	–	414,275
Dividends	–	–	(83,461)	(83,461)
At 31 December 2020	–	1,276,199	432,063	1,708,262

At 31 December 2020, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$432,063,000 (2019: HK$658,507,000).

Financial Summary

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Results					
Revenue	6,110,176	4,517,607	5,391,500	4,549,058	**3,746,170**
Operating profit (loss) less finance costs	205,704	108,209	557,227	207,615	**(128,594)**
Share of net profit of associates and joint ventures accounted for using the equity method	508,027	425,060	318,872	363,420	**505,760**
Profit before tax	713,731	533,269	876,099	571,035	**377,166**
Tax expense	(49,989)	(32,219)	(86,630)	(61,891)	**(75,443)**
Profit for the year from continuing operations	663,742	501,050	789,469	509,144	**301,723**
Electricity business					
Profit for the year from electricity business	–	77,441	84,179	134,646	**–**
Profit for the year	663,742	578,491	873,648	643,790	**301,723**
Attributable to:					
Owners of the Company	515,214	488,837	471,931	461,441	**294,478**
Non-controlling interests	148,528	89,654	401,717	182,349	**7,245**
	663,742	578,491	873,648	643,790	**301,723**
Dividends	109,208	98,373	83,783	86,250	**83,461**
Assets and liabilities					
Total assets	20,719,301	22,605,644	23,001,454	22,556,153	**23,879,408**
Total liabilities	7,341,938	7,858,454	6,900,621	6,664,341	**6,838,627**
Total equity	13,377,363	14,747,190	16,100,833	15,891,812	**17,040,781**

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