天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

Annual Report

2024

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Sun Lijun

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Teng Fei
Dr. Zhai Xinxiang

COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

Woo Kwan Lee & Lo

REGISTERED OFFICE

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

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SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

Hong Kong Stock Exchange: 882

PRINCIPAL BANKERS

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

Tianjin Development Holdings Limited

Utilities

Water
Heat and Thermal Power
Electricity

Pharmaceutical

Lisheng (002393.SZ)
Yiyao Printing
Research Institute

Hotel

Courtyard by
Marriott Hong Kong

Electrical and Mechanical

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.	34.08%	Manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products
Tianjin Institute of Pharmaceutical Research Co., Ltd.	20.80%	Research and development of new medicine technology and new products

HOTEL

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

ELECTRICAL AND MECHANICAL

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

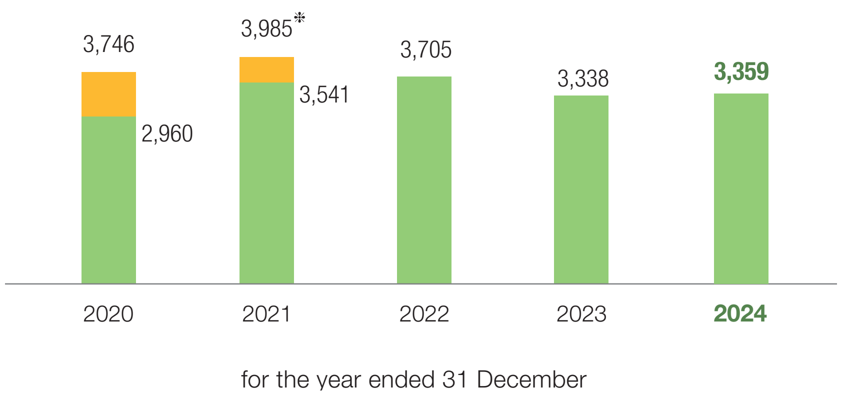
STRATEGIC AND OTHER INVESTMENTS

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

note: The above shareholding percentages represent effective equity interest in respective companies or group of companies. The effective equity interest in Tianjin Lisheng Pharmaceutical Co., Ltd. held by the Group has taken into account the equity interest held under treasury shares as if the relevant employees were entitled to their ownership of treasury shares under the restricted shares incentive scheme.

Revenue

HK$ million

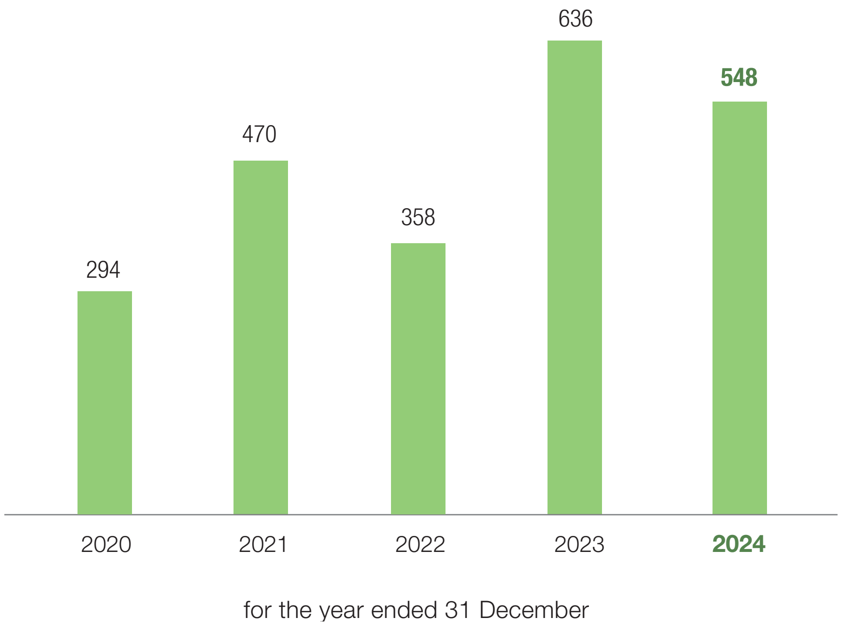


❉ The presses and mechanical equipment business has been disposed of in September 2021 and ceased to be the subsidiaries of the Group since then.

■ Result of the presses and mechanical equipment business is separately presented from the continuing operations.

Profit Attributable to Owners of the Company

HK$ million



Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

For the year ended 31 December

Revenue

	2024 HK$ million	2023 HK$ million	Changes %
Utilities	**1,444**	1,600	(9.8)
Pharmaceutical	**1,609**	1,441	11.7
Hotel	**134**	130	3.1
Electrical and mechanical	**172**	167	3.0
	3,359	3,338	0.6

Profit (Loss) Attributable to Owners of the Company

	2024 HK$ million	2023 HK$ million	Changes HK$ million
Utilities	**95**	110	(15)
Pharmaceutical (note)	**237**	106	131
Hotel	**18**	18	–
Electrical and mechanical	**(104)**	(29)	(75)
Port services	**144**	153	(9)
Elevators and escalators	**231**	325	(94)
Corporate and others	**(73)**	(47)	(26)
	548	636	(88)

note:

Pharmaceutical in 2024 included one-off gains of (i) approximately RMB71,340,000 (equivalent to approximately HK$78,138,000) regarding the disposal of 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd. (天津田邊製藥有限公司); and (ii) approximately RMB319,763,000 (equivalent to approximately HKK$350,233,000) regarding the dilution of equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (details of which are set out in Note 16 to the consolidated financial statements), while in 2023 included an one-off gain of approximately RMB238,597,000 (equivalent to approximately HK$265,108,000) regarding the resumption of the parcels of land and building for industrial use located in Tianjin.

PROFIT AND DIVIDEND FOR THE YEAR 2024

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2024 was approximately HK$548.1 million, as compared to HK$635.6 million of last year. The Board recommends payment of a final dividend of HK8.82 cents per share for the year ended 31 December 2024. This final dividend together with the interim dividend of HK5.18 cents per share already paid, will make a total of HK14 cents per share for the full year of 2024, representing an increase of 14.3% as compared to 2023.

BUSINESS OVERVIEW

In 2024, the Company's various business segments maintained steady development and attained the expected performance. The Company's development strategy for the foreseeable future is to focus on steadily developing its existing businesses, while progressively driving high-quality development through mergers, acquisitions, and restructuring. Additionally, the Company will also focus on businesses with development potential and sustainable expansion.

Benefiting from the enhancement of industrial structure and continuous innovation-driven development in the Tianjin Economic-Technological Development Area ("**TEDA**"), the utilities sector maintained stable operation throughout the year and achieved the expected results. During the year, the construction of grid-side electrochemical energy storage power station by Tianjin TEDA Election Power Co., Ltd.(天津泰達電力有限公司)in the eastern district of TEDA had been completed and become operational, establishing as strategic infrastructure accelerating regional energy transition and low-carbon transformation initiatives.

The pharmaceutical sector continued to progress as planned, and reported annual revenue of approximately HK$1,609.7 million and profit of approximately HK$443.3 million. During the year, the acquisition of 65% equity interest in Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd.(江西青春康源製藥有限公司)was completed, providing Tianjin Lisheng Pharmaceutical Co., Ltd.(天津力生製藥股份有限公司) ("**Lisheng Pharmaceutical**") with a manufacturing platform for proprietary Chinese medicine, thereby enhancing its industrial chain and expanding its sales network. The flagship brand "San Yu(三魚)" under Lisheng Pharmaceutical was selected in the third batch of "China Time-honored Brands(中華老字號)". Such national authoritative recognition represents that Lisheng Pharmaceutical has been highly recognised in terms of historical heritage, cultural value, product quality and brand reputation. Its injection product "Hydrocortisone Sodium Succinate for Injection(注射用氫化可的松琥珀酸鈉)" passed the consistency evaluation of quality and efficacy for generic drugs. Additionally, "Rivaroxaban Tablets(利伐沙班片)", "Indapamide Sustained-release Tablets(吲達帕胺緩釋片)" and "Propranolol Hydrochloride Active Pharmaceutical Ingredient(鹽酸普萘洛爾原料藥)" have received drug registration approvals from the National Medical Products Administration respectively, which is equivalent to passing the consistency evaluation. This further advances the integrated establishment of "Active Pharmaceutical Ingredients + Preparations", creating a synergistic and efficient production chain. Lisheng Pharmaceutical, with its outstanding performance in corporate management, technological innovation, empowerment for the development of new quality productivity, and social sustainable development, was ranked among the "Top 50 New Quality Productivity of Chinese Listed Companies(中國上市公司新質生產力50強)" and also accredited as one of the "TOP 100 Chemical Pharmaceutical Companies in China in 2023 (2023年度中國化藥企業TOP 100)" by MENET(米思會). These recognition reflects Lisheng Pharmaceutical's comprehensive strength in "R&D Innovation + Promotion Strategies" and also represents the affirmation and recognition for its overall capabilities in the industry. Its indapamide tablet products – Shoubishan(壽比山)was awarded the "West Lake Award • Most Popular Star Product for Pharmacies(西湖獎•最受藥店歡迎的明星單品)" and the "Most Valuable Product in China's Pharmacy Chains in 2024", which demonstrated the dual recognition for Lisheng Pharmaceutical's products from the retail sector and consumers.

The operation of Hotel Courtyard by Marriott Hong Kong met the expected objective thanks to the growing business visitors throughout the year. The room rates remained stable and the average occupancy rate was approximately 89.7%, approximately seven percentage points over last year.

BUSINESS OVERVIEW (continued)

Electrical and mechanical business continued to face more difficulties. Although the annual revenue increased by approximately 3% to approximately HK$171.8 million, it was still in significant loss. In view of the lower-than-expected performance of electrical and mechanical business, we will continue to review and consider the benefits of restructuring of its operation.

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

PROSPECT

Looking ahead to 2025, it is anticipated that a moderation in growth across major economies, set against a backdrop of heightened geopolitical conflicts and intensifying international trade disputes. The external environment encounters increasing instabilities and uncertainties. Despite of the complex and uncertain external environment, the underlying conditions supporting Chinese economy for its long-term positive trajectory and the trend of high-quality sustainable development remain unchanged. The Chinese economy is going through further restructuring and accelerating the pace of both transformation and upgrading. With the steady improvement in operational quality and economic efficiency, it is expected that the Chinese economy will maintain a steady development.

Following the steady progress of deepening and enhancement initiatives for state-owned enterprise reform, it is poised to promote high-quality development across the state-owned sector. Despite a competitive and challenging operating environment, the Company will continue to leverage its strengths, adhere to the principle of balancing development with stability, and stick to disciplined financial management. We will accelerate the pace of business integration and we feel confident for the future.

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

Teng Fei
Chairman and Executive Director

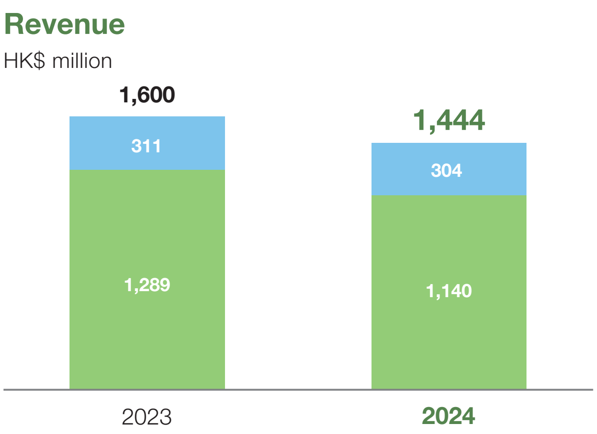
Hong Kong, 28 March 2025

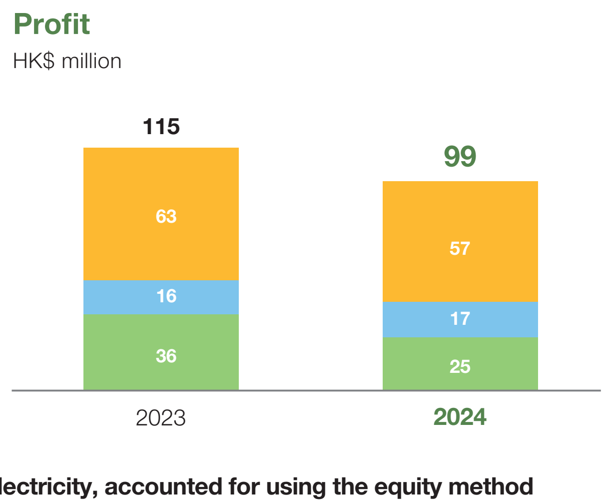
BUSINESS REVIEW

Utilities

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

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





Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd.(天津泰達津聯自來水有限公司)("**Water Company**") and its subsidiary are principally engaged in supply of tap water in TEDA. They also provide services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts as well as provision of water testing services. The daily water supply capacity of the Water Company is approximately 325,000 tonnes (2023: 325,000 tonnes).

In 2024, the Water Company reported revenue of approximately HK$304.3 million, a decrease of 2.2% from HK$311.3 million last year. Profit from the Water Company was approximately HK$17.3 million, an increase of 8.1% from HK$16 million in 2023. The increase in profit was mainly due to higher ancillary services income and lower administrative expenses, partly offset by lower revenue driven by lower volumes of water sold during the year. The total quantity of water sold for the year was approximately 44,858,000 tonnes, representing a decrease of 4.9% over last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd.(天津泰達津聯熱電有限公司)("**Heat and Power Company**") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat and Power Company has transmission pipelines of approximately 549 kilometres (2023: 549 kilometres) and more than 120 processing stations (2023: 120 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

Utilities (Continued)

Heat and Thermal Power (Continued)

In 2024, revenue from Heat and Power Company was approximately HK$1,139.4 million, a decrease of 11.6% from HK$1,288.5 million in 2023. Profit from the Heat and Power Company was approximately HK$24.7 million, as compared with HK$35.9 million last year. The decline in both revenue and profit was mainly due to the decrease in government supplemental income by HK$203.9 million and lower volumes of steam sold during the year. Such side effect on profit was partly offset by a combination of tariff improvement and reduction in average steam purchase cost, driving an increase in operating margin. The total quantity of steam sold for the year was approximately 3,277,000 tonnes, representing a decrease of 8.7% over last year.

Electricity

As at 31 December 2024, the Group has 47.09% equity interest in Tianjin TEDA Electric Power Co., Ltd.（天津泰達電力有限公司）(“**TEDA Power**”). TEDA Power is principally engaged in supply of electricity in TEDA and also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services as well as energy storage technology services. Currently, the installed transmission capacity of TEDA Power is approximately 996,000 kVA.

During the year, the revenue of TEDA Power amounted to approximately HK$2,399.4 million, representing a decrease of 4.2% compared with last year. TEDA Power contributed to the Group a profit of approximately HK$57.5 million, a decrease of 8.7% from HK$63 million in 2023. The total quantity of electricity sold for the year was approximately 3,093,082,000 kWh, broadly maintained at the same level as that of last year.

Pharmaceutical

Pharmaceutical segment is principally engaged in the manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products 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 31.05% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd.（天津藥物研究院有限公司）(“**Research Institute**”).

In 2024, revenue from pharmaceutical segment was approximately HK$1,609.7 million, an increase of 11.7% from HK$1,441.4 million last year. Of the total segment revenue, revenue from manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products was approximately HK$1,454.9 million, an increase of 14.8% from HK$1,266.9 million in 2023, with higher contribution from Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd.（江西青春康源製藥有限公司）(“**Qingchun Kangyuan**”). Revenue from sale of packaging materials amounted to approximately HK$154.8 million, a decline of 11.3% from HK$174.5 million last year.

During the year, the revenue of Research Institute decreased by 28.4% to approximately HK$391.8 million and contributed to the Group a loss of approximately HK$66.3 million, as compared with a loss of HK$69.6 million in 2023.

Profit from pharmaceutical segment was approximately HK$443.3 million, compared with HK$370.1 million last year. Excluding the one-off effect of the gain of HK$265.1 million on the resumption of the parcels of land and building in 2023 and also the gain of approximately HK$78.1 million from disposal of 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd.（天津田邊製藥有限公司）as well as gain on dilution of equity interest in Research Institute of approximately HK$350.2 million in the year (details of which are set out in Note 16 to the consolidated financial statements), profit from pharmaceutical segment would have been approximately HK$15 million, compared to a profit of approximately HK$105 million in 2023 on a like-for-like basis. This result was mainly attributable to lower operating margins from the implementation of marketing strategy adjustments to counter the impact of centralised drug procurement program and also higher selling and distribution expense, general and administrative expenses as well as research and development costs during the year.

Pharmaceutical (Continued)

On 1 February 2024, the Group completed the acquisition of 65% equity interest in Qingchun Kangyuan. In accordance with the terms of the relevant sale and purchase agreement dated 29 December 2023, the guarantors of such agreement had provided performance guarantee covering the financial years of 2023, 2024, 2025 and 2026 ("**Performance Commitment Period**") to the Group, among which, the audited consolidated net profit (after deduction of non-recurring profits and losses) ("**Audited Net Profit**") of Qingchun Kangyuan in the financial year of 2023 should not be less than RMB11,332,200 and, during the Performance Commitment Period, (i) the Audited Net Profit of Qingchun Kangyuan in any financial year shall not be lower than that in the preceding financial year and (ii) the average growth rate of the Audited Net Profit of Qingchun Kangyuan per annum should not be lower than 10%. Upon review by the Group during the year, the requirements on Audited Net Profit of relevant financial years had been satisfied and no performance compensation is required.

Hotel

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

In 2024, revenue from Courtyard Hotel was approximately HK$134.2 million, an increase of 2.9% from HK$130.4 million. Profit from Courtyard Hotel was approximately HK$18.1 million, largely in line with that of previous year. The average room rate remained fairly stable and the average occupancy rate was approximately 89.7%, seven percentage points improvement over 2023.

Electrical and Mechanical

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

In 2024, electrical and mechanical business reported revenue of approximately HK$171.8 million, as compared with HK$166.8 million in 2023. Loss from electrical and mechanical business was approximately HK$126.7 million compared to a loss of HK$35.5 million last year. The segment loss stemmed from higher construction contracts cost estimate adjustments incurred in hydroelectric equipment business and lower operating margins, partly offset by lower general and administrative expenses as well as research and development costs.

Strategic and Other Investments

Port Services

As at 31 December 2024, 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 amounted to approximately HK$13,712 million, representing an increase of 1.7% compared with last year.

Profit attributable to owners of Tianjin Port was approximately HK$686.6 million. Tianjin Port contributed to the Group a profit of approximately HK$144.2 million, representing a decrease of 5.9% over 2023.

Elevators and Escalators

As at 31 December 2024, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited（奧的斯電梯（中國）投資有限公司）("**Otis China**"). Otis China is engaged in the manufacture and sale of elevators and escalators in the PRC.

During the year, the revenue of Otis China decreased by 9.7% to approximately HK$18,631.8 million.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$231.3 million, representing a decline of 28.9% over last year.

Investment in Binhai Investment Company Limited

As at 31 December 2024, the Group has 4.2% equity 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$66.8 million (2023: approximately HK$79.3 million) and the unrealised fair value loss of approximately HK$12.5 million (2023: approximately HK$7.2 million) was recognised in other comprehensive income.

Investment in Tasly Bio-Medicine Industry Group Co., Ltd.

As at 31 December 2024, the Group had 12.15% equity interest in Tasly Bio-Medicine Industry Group Co., Ltd.（天士力生物醫藥產業集團有限公司）(formerly known as Tasly Holding Group Co., Ltd.（天士力控股集團有限公司）) ("**Tasly Group**"), a non-core passive investment in relation to the Group's pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting at an investment costs of HK$191.5 million and is now held by Tianjin Central Pharmaceutical Co., Ltd.（天津市中央藥業有限公司）("**Central Pharmaceutical**"), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd.（天津力生製藥股份有限公司）. Tasly Group 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 45.75% 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 2024, the fair value of investment in Tasly Group was approximately HK$1,272.7 million (2023: approximately HK$1,587.1 million), accounting for approximately 5.7% of the Group's total assets, and on that date the fair value loss together with the exchange effect amounted to approximately HK$314.4 million has been recognised in other comprehensive income. During the year, dividend income from Tasly Group was approximately HK$4 million (2023: Nil). The holding of 12.15% equity interest in Tasly Group is not held for trading and not expected to be sold in the foreseeable future.

PROSPECT

Looking ahead to 2025, it is anticipated that a moderation in growth across major economies, set against a backdrop of heightened geopolitical conflicts and intensifying international trade disputes. The external environment encounters increasing instabilities and uncertainties. Despite of the complex and uncertain external environment, the underlying conditions supporting Chinese economy for its long-term positive trajectory and the trend of high-quality sustainable development remain unchanged. The Chinese economy is going through further restructuring and accelerating the pace of both transformation and upgrading. With the stable improvement in operational quality and economic efficiency, it is expected that the Chinese economy will maintain a steady development.

Following the steady progress of deepening and enhancement initiatives for state-owned enterprise reform, it is poised to promote high-quality development across the state-owned sector. Despite a competitive and challenging operating environment, the Company will continue to leverage its strengths, adhere to the principle of balancing development with stability, and stick to disciplined financial management. We will accelerate the pace of business integration and we feel confident for the future.

LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2024, the total cash on hand and total bank borrowings of the Group stood at approximately HK$6,272.1 million and HK$1,989.8 million respectively (2023: approximately HK$6,604.7 million and HK$1,810.6 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK$1,965.2 million (2023: HK$100 million) will mature within one year. During the year ended 31 December 2024, the Group entered into two loan agreements with commercial banks in Hong Kong, pursuant to which the aggregate loan facilities of HK$200 million were made available to the Group subject to floating rates with respective spread of 1.4% and 1.6% over HIBOR of the relevant interest periods. The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 15.8% as at 31 December 2024 (2023: approximately 14.4%).

Of the total HK$1,989.8 million bank borrowings outstanding as at 31 December 2024, HK$1,915.5 million were subject to floating rates with spread of 1.4% to 1.6% over HIBOR of the relevant interest periods, of which the amount of HK$1,715.5 million is linked to the sustainability performance of the Group's environmental, social and governance performance metrics and that its interest rate may be reduced depending on the extent of pre-determined key performance indicators being met, and RMB68.8 million (equivalent to approximately HK$74.3 million) of bank borrowings were fixed-rates debts with annual rates at 3% to 3.45%.

As at 31 December 2024, 96% (2023: 100%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 4% (2023: Nil) 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, structured deposits, entrusted deposits, other financial assets and bank borrowings. The Group's financial risk management is aimed at mitigating the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's interest rate, foreign currency and credit risk exposures. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of approximately 2,729 employees (2023: 2,376) of which approximately 259 (2023: 214) were management personnel and 894 (2023: 754) were technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the employees' salaries. Meanwhile, certain employees and employee groups of the Group's subsidiary in the PRC are also eligible for the relevant restricted share incentive scheme. During the year ended 31 December 2024, the Group had no forfeited contributions under the retirement benefits scheme that might be used by the Group to reduce the existing level of contributions (2023: Nil).

CHARGE ON ASSETS

As at 31 December 2024, restricted bank balances of HK$119.2 million (2023: HK$216.9 million) was pledged to financial institutions by the Group to secure general banking facilities.

LITIGATION

As disclosed in the announcements of the Company dated 3 August 2023, 10 August 2023, 30 December 2023, 28 March 2024 and 26 November 2024 (the "**Announcements**"), Central Pharmaceutical was a party to a litigation arising from the ordinary course of business with its sales and marketing agent (the "**Agent**"). As stated in the Announcements, certain assets of Central Pharmaceutical had been retained as a request of claim for a payment in relation to the provision of sales and marketing services to Central Pharmaceutical. Central Pharmaceutical had lodged a petition for counterclaim on 7 August 2023 and received the civil judgement of the trial of first instance issued by Tianjin No. 2 Intermediate People's Court (the "**First Judgement**") on 8 December 2023. The Agent was not satisfied with the judgement and filed a civil petition for appeal to the Higher People's Court of Tianjin on 19 December 2023. Central Pharmaceutical had also lodged a civil petition for appeal on 21 December 2023. In late of March 2024, Central Pharmaceutical received the civil judgement from the Higher People's Court of Tianjin for revoking the civil judgement of the First Judgement and the case is remanded to Tianjin No. 2 Intermediate People's Court for retrial. In late November 2024, Central Pharmaceutical received the civil judgement of the remand for retrial issued by Tianjin No. 2 Intermediate People's Court (the "**Second Judgement**"). Both Central Pharmaceutical and the Agent were not satisfied with the judgement and appealed to revoke the Second Judgement. The management of the Group, based on legal advice, are of the opinion that any possible legal liability which may incur from such litigation shall not have material adverse effect on the financial position of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.82 cents per share for the year ended 31 December 2024 (2023: HK8.80 cents per share) to the shareholders whose names appear on the Company's register of members on 3 July 2025. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 19 June 2025, the final dividend will be paid on 28 July 2025.

The final dividend together with the interim dividend of HK5.18 cents per share paid on 28 October 2024 makes a total of HK14 cents per share for the year (2023: HK12.25 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 June 2025 (Monday) to 19 June 2025 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 13 June 2025 (Friday).

The register of members of the Company will be closed from 30 June 2025 (Monday) to 3 July 2025 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 27 June 2025 (Friday).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. TENG Fei, aged 46, was appointed as the Chairman of the Board of the Company on 27 March 2024. Mr. Teng was appointed as an Executive Director and Deputy General Manager of the Company on 30 March 2023. He is also the Chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Investment Committee of the Company. Mr. Teng is a senior engineer, graduated from Tianjin University with a Master of Business Administration degree. Prior to joining the Company, he had served in various roles including assistant to general manager of Tianjin Zhonghuan Electronics Computer Co. (天津市中環電子計算機公司), assistant manager of Tianjin Zhonghuan Huaxiang Electronics Co., Ltd. (天津市中環華祥電子有限公司), deputy general manager of iMarketChina Co., Ltd. (三星愛商(天津)國際物流有限公司), general manager of Tianjin Zhonghuan Electronics Computer Co., Ltd. (天津市中環電子計算機有限公司), chairman of Tianjin Huanbo Science and Technology Co., Ltd. (天津環博科技有限公司), president of Cashway Fintech Co., Ltd. (恒銀金融科技股份有限公司) (Stock Code: 603106.SH) and Hengrong Investment Holdings Co., Ltd. (恒融投資集團有限公司). Mr. Teng is currently the chairman and general manager of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a director and general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) and Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of the Company. He has extensive experience in corporate management, specialising in production and manufacturing enterprises management.

Dr. ZHAI Xinxiang, aged 57, was appointed as an Executive Director and General Manager of the Company on 29 September 2023. Dr. Zhai is a senior engineer, graduated from Tianjin Institute of Light Industry major in food engineering in 1989, studied in graduate school of corporate management from Graduate School of Chinese Academy of Social Sciences from 1996 to 1998, and studied in Tianjin University major in technology economic and management from 2002 to 2005, and obtained a Doctoral Degree in Management in 2005. Prior to joining of the Company, he has been in various roles including Tianjin Great Wall Food Company, successively served as executive committee member of Communist Youth League of Tianjin (天津團市委), vice-chairman and chief secretary of Tianjin Youth Federation(天津市青年聯合會), deputy general manager of TEDA Microelectronics Industrial Zone Company (天津開發區微電子工業區總公司), chairman of Tianjin Binhai TEDA Hotel Development Co., Ltd. (天津濱海泰達酒店開發有限公司), chairman of Tianjin TEDA International Hotel Group Co., Ltd. (天津泰達國際酒店集團有限公司), director of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) and the president of Tianjin Tourism Association (天津市旅遊協會). Dr. Zhai is currently the deputy general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司)and Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), director and deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, as well as a director of certain subsidiaries of the Company. He has in-depth and extensive experience in economics, corporate management and public relations.

EXECUTIVE DIRECTORS (Continued)

Mr. XIA Binhui, aged 41, was appointed as an Executive Director and Deputy General Manager of the Company on 30 December 2024. Mr. Xia graduated from Peking University with a Bachelor's Degree in Law and obtained a Master's Degree in Economic Law from China University of Political Science and Law. Prior to joining the Company, he has been in various roles including assistant manager of audit department and manager of strategic client department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (Stock Code: 01359.HK), deputy general manager of HNA Financial Services (Shenzhen) Co., Ltd. (海航金融服務(深圳)有限公司), executive vice president of Beijing Tunghsu Capital Holding Co., Ltd. (北京東旭資本控股有限公司), senior partner and managing director of Zhongcai Rongshang (Beijing) Capital Management Co., Ltd. (中財融商(北京)資本管理有限公司), deputy general manager (in charge of overall operation) and executive deputy general manager of Tianjin TEDA Asset Operation Management Co., Ltd. (天津泰達資產運營管理有限公司), a wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司). Mr. Xia is currently the deputy general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司), Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) and Tsinlien Group Company Limited (津聯集團有限公司) ("**Tsinlien**"), all being controlling shareholders of the Company, as well as a director of certain subsidiaries of Tsinlien. He has extensive experience in corporate operation management, assets revitalization, merger and reorganization, and special assets investment.

NON-EXECUTIVE DIRECTOR

Mr. SUN Lijun, aged 42, was appointed as a Non-Executive Director of the Company on 30 March 2023. Mr. Sun is a chief senior accountant with the qualifications of certified public accountant and certified tax agent of the PRC. He graduated from Nankai University with a Bachelor's Degree in Management major in Accounting in 2004 and a Master's Degree in Management major in Accounting in 2006. Prior to joining the Company, Mr. Sun has been in financial related roles with several companies including China Unicom Corporation Limited, Tianjin Branch (中國聯通有限公司天津分公司), China Telecom Corporation Limited, Tianjin Branch (中國電信股份有限公司天津分公司), CECEP (Tianjin) Investment Group Co., Ltd. (中節能(天津)投資集團有限公司) and the property rights administrative office of China Shenhua Energy Company Limited (中國神華能源股份有限公司產權管理局). He had also served as supervisor of the finance department of China Nuclear (Tianjin) Machine Co., Ltd. (中核(天津)機械有限公司) and financial controller of Shanghai Huayi Jinjia Development Co., Ltd. (上海華義晉嘉企業發展有限公司). Mr. Sun joined Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("**TEDA Industrial**") since 2019 and has worked in various roles including deputy head of assets management department and head of finance department of TEDA Industrial and Tsinlien Group Company Limited (津聯集團有限公司) ("**Tsinlien**"). He is currently the financial controller of TEDA Industrial, Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) and Tsinlien, all being controlling shareholders of the Company, and a supervisor of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of TEDA Industrial. Mr. Sun has extensive experience in financial and treasury management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. NG Yi Kum, Estella, aged 67, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. From December 2015 to May 2024, Ms. Ng was 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, she 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) from February 2019 to May 2024. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority until November 2013. Ms. Ng is currently an independent non-executive director of CMGE Technology Group Limited (Stock Code: 302), Comba Telecom Systems Holdings Limited (Stock Code: 2342), KWG Living Group Holdings Limited (Stock Code: 3913) and Powerlong Commercial Management Holdings Limited (Stock Code: 9909), all companies are listed on the Stock Exchange. Ms. Ng served as an independent non-executive director of CT Vision S.L. (International) Holdings Limited (Stock Code: 994) until 30 June 2022.

Mr. WONG Shiu Hoi, Peter, aged 84, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of each of the Audit Committee and the Investment Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is the past chairman of The Hong Kong Institute of Directors and was a director of the Hong Kong Securities and Investment Institute, an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited as well as an overseas business advisor of Haitong Securities Company Limited. He is currently an independent non-executive director of Tai Hing Group Holdings Limited (Stock Code: 6811), a company whose shares are listed on the Stock Exchange. Mr. Wong also served as a consultant of Halcyon Holdings Limited until 1 August 2021 and an independent non-executive director of High Fashion International Limited (Stock Code: 608), Target Insurance (Holdings) Limited (Stock Code: 6161) and Agile Group Holdings Limited (Stock Code: 3383) until 4 June 2021, 9 August 2021 and 26 June 2023 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. LAU Ka Keung, *BBS, MH, JP*, aged 49, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Lau received his bachelor's degree in information technology from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008. Mr. Lau is a deputy of Hong Kong to the 14th session of National People's Congress of the PRC（中國第十四屆全國人民代表大會）, an executive committee member of the 15th session of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議天津市第十五屆委員會）and the vice chairman of Tianjin Federation of Industry and Commerce（天津市工商業聯合會）. He has served as a member of the 13th session of National Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議第十三屆全國委員會）, executive committee member of the 14th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference（中國人民政治協商會議天津市第十四屆委員會）, executive member of the 13th session of All-China Youth Federation（中華全國青年聯合會第十三屆常務委員會委員）as well as the chairman of the 28th session of Hong Kong United Youth Association（香港青年聯會）. Mr. Lau has extensive experience in business management. He is an executive director and chief executive officer of Million Cities Holdings Limited (Stock Code: 2892), an independent non-executive director of OrbusNeich Medical Group Holdings Limited (Stock Code: 6929) and had served as a non-executive director of Nameson Holdings Limited (Stock Code: 1982), and all of these companies are listed on the Stock Exchange.

Mr. SIN Hendrick, *MH*, aged 50, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Investment Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Sin received his triple bachelor's degrees in computer science/mathematics, economics and industrial management from Carnegie Mellon University in May 1996 and graduated from Stanford University with a master's degree in engineering-economic systems and operations research in June 1997. Mr. Sin is a deputy of Hong Kong to the 14th session of the National People's Congress of the PRC（中國第十四屆全國人民代表大會）and an executive committee member of the 15th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference（中國人民政治協商會議天津市第十五屆委員會）. He is the president of the Internet Professional Association（香港互聯網專業協會）, the executive vice-chairman of the Hong Kong Software Industry Association（香港軟件行業協會）and a member of the Hong Kong Institute of Directors（香港董事學會）. Mr. Sin has also been appointed by the Hong Kong Government as a director of Hong Kong Cyberport Management Company Limited（香港數碼港管理有限公司）. Mr. Sin has extensive experience in corporate management, finance and investment banking. He is a co-founder, executive director and vice chairman of CMGE Technology Group Limited (Stock Code: 302) and also the founding and managing partner of China Prosperity Capital Fund, a leading venture capital firm with a primary focus on technology investment. Mr. Sin is currently an independent non-executive director of Evergreen Products Group Limited (Stock Code: 1962), Hong Kong Economic Times Holdings Limited (Stock Code: 423) and China Tower Corporation Limited (Stock Code: 788), all of these companies are listed on the Stock Exchange. He is also an independent director of 36 Kr Holdings Inc. (Stock Symbol: KRKR), a company listed on the NASDAQ Stock Exchange, and a non-independent director of Suning.com Group Co., Limited（蘇寧易購集團股份有限公司）(Stock Code: 002024.SZ), a company listed on the Shenzhen Stock Exchange.

SENIOR MANAGEMENT

Mr. YU Kexiang, aged 54, was the Assistant to General Manager of the Company until 3 March 2025. Mr. Yu graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1993 and a Master's Degree in Economics in 1999. He has been in financial asset investment management (foreign and domestic capital markets) and fund operations for many years. He joined the Company since 2010 and has served in various roles including deputy general manager and general manager of Tianjin Development Assets Management Company Limited (天津發展資產管理有限公司), a wholly-owned subsidiary of the Company. Prior to joining the Company, Mr. Yu was an assistant to manager of investment banking division and manager of securities division of Northern International Trust and Investment Company Limited (北方國際信托投資股份有限公司), head of operations of Tianjin Guoneng Investment Company Limited (天津國能投資有限公司), senior project manager of fund utilization department of Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司), etc. He was a director of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), the assistant to general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("**TEDA Industrial**") and Tsinlien Group Company Limited (津聯集團有限公司) ("**Tsinlien**") until 24 February 2025, all being controlling shareholders of the Company. Mr. Yu is currently a deputy general manager of Tianjin TEDA International Holding (Group) Co., Ltd. (天津市泰達國際控股(集團)有限公司), a wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a non-executive director of Binhai Investment Company Limited (Stock Code: 2886), a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of TEDA Industrial, Tsinlien and the Company.

Mr. CHONG Ching Hei, aged 52, Chief Financial Officer of the Company. Mr. Chong graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 1999 and has been a fellow member since July 2023. Mr. Chong has extensive experience in auditing and corporate finance. Mr. Chong previously worked for Deloitte Touche Tohmatsu for over seven years. During the period from 2004 to 2006, he served as a financial controller and company secretary of Coastal Rapid Transit Company Limited, a wholly-owned subsidiary of the Company. Prior to re-joining the Company in July 2013, Mr. Chong was the financial controller and company secretary of Jianhua Concrete Pile Holdings Limited.

Ms. LEE Su Yee, Bonnia, aged 47, Company Secretary of the Company. Ms. Lee graduated from the City University of Hong Kong with a Master of Science Degree in Professional Accounting and Corporate Governance. She is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Lee is also a holder of the Practitioner's Endorsement from The Hong Kong Chartered Governance Institute and is accredited as a Certified ESG Planner CEP® by the International Chamber of Sustainable Development. She joined the Company since October 2010 as an assistant company secretary and has extensive experience in company secretarial practice.

This Environmental, Social, and Governance ("**ESG**") Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**HKEx ESG Guide**") as set out in Appendix C2 of the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and aims to provide stakeholders a comprehensive overview on our ESG policies, initiatives as well as performance.

REPORTING SCOPE

This ESG report covers Tianjin Development Holdings Limited's ("**the Group**", "**we**", "**our**" or "**us**") principal operating segments of utilities, pharmaceutical and electrical and mechanical for the period from 1 January to 31 December 2024 (the "**Reporting Period**", "**FY2024**"). The report includes only material ESG issues which are identified by the Group through materiality assessment and only covers the entities directly controlled by the Group.

REPORTING PRINCIPLES

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

1) Materiality: the final disclosing ESG issues have been confirmed by the management and the Board of the Company ("**the Board**") according to the stakeholder engagement of identified material ESG issues during the Reporting Period.

2) Quantitative: the Group monitored various Key Performance Indicators ("**KPI**") during the Reporting Period with comparison of historical data in order to evaluate and validate the effectiveness of ESG policies and management system. For all standards and methods adopted for calculating the KPI (if applicable), please refer to the relevant sections in the report.

3) Balance: Our ESG report provides an unbiased picture of the ESG performance of our Group.

4) Consistency: Our Group adopted consistent methodologies in the KPI calculation by comparing historical ESG data over time.

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

ESG GOVERNANCE

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

The Board is responsible for overseeing the ESG (including climate-related) activities of the Group, setting and approving ESG-related policies, targets and strategies from the Group perspective, and reviewing the progress made against them at least annually. An ESG working group, comprising representatives from the abovementioned principal operating segments and each of the key functions, has been established to collect ESG data, facilitate the ESG reporting process and inform the Board of the climate-related risks and opportunities at the Board meetings. Furthermore, the ESG working group will advise the Board on climate-related risks and opportunities when there are major transactions or policy updates to ensure that the Board is fully aware of the related risks and opportunities involved. To better understand ESG and climate-related risks, the Board and ESG working group receive relevant training on an annual basis. The ESG working group is supported by a number of key functions, including the Company Secretary, Finance, Human Resources, Administrative, Purchasing, Customer Services and Strategic Planning departments, enabling the Group to disclose necessary information across our operations in order to present a balanced picture of our ESG performance. The ESG working group is also responsible for overseeing the implementation of ESG policies and strategies and reports regularly to the Board. The Board is fully aware of the importance of controlling and managing ESG-related risks and continuously reviews the strategy and policy direction of the Group in relation to its ESG areas, in order to ensure the effectiveness of the risk management, compliance, and corresponding internal control system within the aspects of ESG. Business functions in each principal operating segments are on the frontline to identify relevant ESG issues during daily operations and report them to their respective representatives in ESG working group. They are also primarily responsible for developing their own ESG implementation plans and include them as a KPI when considering compensation increase for senior management. The Group also continuously monitor the ESG-related risks by ensuring that relevant ESG risks are considered in the annual risk assessment process and prior to any major transaction, with appropriate internal controls are in place to manage the risks.

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

- 5% deduction on air emissions and water discharge intensity per revenue in RMB'000 by 2025 as compared with FY2019;

- 5% deduction on hazardous waste production intensity per revenue in RMB'000 by 2025 as compared with FY2019;

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

- 5% deduction on intensity of water consumption per revenue in RMB'000 by 2025 as compared with FY2019.

The Group has appointed an external consultant to perform independent review regularly in order to ensure the adequacy and effectiveness of our risk management and internal control systems. For details, please refer to the section "RISK MANAGEMENT AND INTERNAL CONTROL" in the Corporate Governance Report of the Group.

Risk Governance

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

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

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

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

Materiality Assessment

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

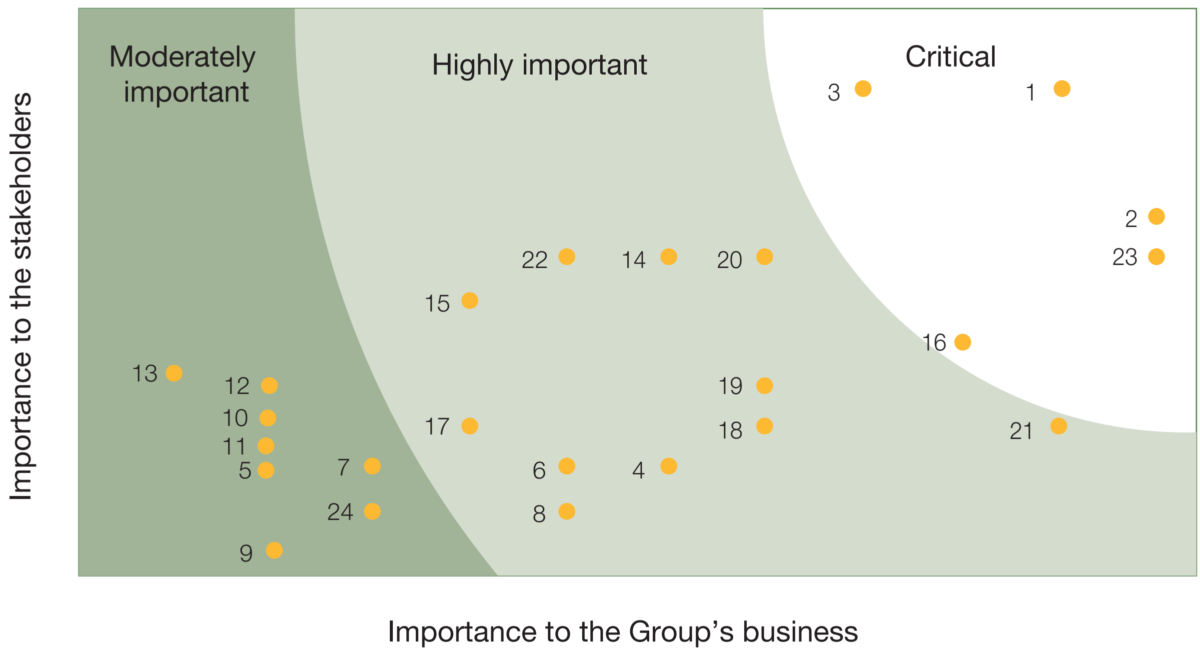
Environmental, Social and Governance Report

Through our established engagement channels, we have reviewed the feedback from our stakeholders, identified relevant ESG issues and mapped out the prioritisation which enabled us to better understand the expectations of all stakeholders so as to identify important ESG topics of the Group. The table below highlights the ESG issues which are determined to be material to the Group covered in this report:

HKEx ESG Guide Reference	Material ESG issues	Level of importance
General		
General	1. Compliance with relevant laws and regulations	Critical
	2. Risk management	Critical
	3. Corporate governance	Critical
A. Environmental		
A1. Emissions	4. Air emissions and wastewater discharge	Highly important
	5. Greenhouse gas emissions	Moderately important
	6. Waste management	Highly important
A2. Use of resources	7. Energy consumption	Moderately important
	8. Water usage	Highly important
	9. Clean water source	Moderately important
	10. Packaging materials	Moderately important
A3. The environment and natural resources	11. Environmental impact management	Moderately important
A4. Climate change	12. Impact of climate change	Moderately important
	13. Renewable energy usage	Moderately important
B. Social		
B1. Employment	14. Remunerations and benefits	Highly important
	15. Equal opportunity and anti-discrimination	Highly important
B2. Health & safety	16. Workplace health and safety	Critical
B3. Development and training	17. Employee development and training	Highly important
B4. Labour standards	18. Prevention of child and forced labour	Highly important
B5. Supply chain management	19. Responsible procurement	Highly important
B6. Product responsibility	20. Product and service quality	Highly important
	21. Pharmaceutical product safety	Critical
	22. Cybersecurity and privacy protection	Highly important
B7. Anti-corruption	23. Anti-corruption and money laundering	Critical
B8. Community investment	24. Community programmes, donation and award	Moderately important

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

Materiality Matrix of Material ESG Issues



GENERAL

Compliance with relevant laws and regulations

Governance-related matters, including compliance with relevant laws and regulations, risk management, corporate governance, workplace health and safety, pharmaceutical product safety and anti-corruption and money laundering, were identified as critical issues during the Reporting Period.

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

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

A. ENVIRONMENTAL

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

A1 Emissions

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

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

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and wastewater discharge

Statistics of our material air emissions and water discharge during the Reporting Period together with the comparative figures for the corresponding year in FY2023 are summarised as follows:

Major type of emissions	**FY2024 Total (Tonnes)**	FY2023 Total (Tonnes)
Nitrogen Dioxide (NO_2)	**0.71**	0.49
Sulphur Dioxide (SO_2)	**0.41**	0.21
Wastewater	**240,272.72**	319,717.42

Note: The above statistics cover the air emissions and water discharge from Water Company, Tianfa Equipment and Lisheng in FY2024. Heat & Power Company did not produce material air emission and water discharge due to the nature of its business operations.

Total air emissions and wastewater discharge	**FY2024 Total (Tonnes)**	FY2023 Total (Tonnes)
Total (Tonnes)	**240,273.84**	319,718.12
Intensity (per revenue in RMB'000)	**0.14**	0.15

In the first half of the Reporting Period, the maintenance of the sludge pumping equipment of Water Company reduced operating hours compared with the same period last year, which significantly reduced the wastewater discharge in FY2024.

During the Reporting Period, Lisheng effectively leveraged ultrafiltration concentrated water from the water production station, achieving a monthly water savings target of up to 1,000 tonnes. This initiative underscores the Group's commitment to minimising wastewater emissions and aligning with our environmental goals for air emissions and wastewater discharge. Looking forward, we will continue to refine our water management strategies by integrating advanced technologies to enhance recycling and reuse efficiency.

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

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Air emissions and wastewater discharge (Continued)

- Monitoring and adjusting the use of chemical dosage to enhance sedimentation during water purification process continuously.

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

- Deploying environmentally friendly coal-fired boilers to replace the old ones for reducing the level of both air emission and industrial wastewater discharged.

- Collecting the ultrafiltration concentrated water from the water production station for cooling recirculating cooling water and water refill for water-sealing vacuum pump.

- Turning off lights when not in use.

- Setting temperature of air conditioners at no lower than 26 degrees Celsius in summertime and no higher than 26 degrees Celsius in wintertime.

- Expanding batch production on the basis of quality assurance and compliance to save energy.

- Installing purification equipment in stages.

- Continue to manage vehicle use and plan routes to meet business needs to further reduce oil consumption and carbon emissions.

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

Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 494,842.76 tonnes (FY2023: 534,178.33 tonnes) of the energy-related carbon dioxide equivalent (CO2e) generated from our operations during the Reporting Period. We have implemented various energy-saving initiatives to help reduce our carbon footprint. Please refer to the "Energy Consumption" section below for our energy consumption data and reduction initiatives.

Greenhouse gas emission	FY 2024 (in tonnes)	Intensity (per revenue in RMB'000)
Direct emission (Scope 1)	**4,955.70**	**0.0018**
Indirect emission (Scope 2)	**489,887.06**	**0.1782**

Note: The carbon emissions are calculated with reference to the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development and the World Resources Institute, the "Environmental Key Performance Indicators Reporting Guide" of HKEx, the "Baseline Emission Factors for Regional Power Grids of China" published by the Ministry of Ecology and Environment of China and "The UK Government Conversion Factors for greenhouse gas reporting" published by the Department for Environment, Food & Rural Affairs of the United Kingdom. Heat & Power Company did not contribute to any direct emission (scope 1) due to the business operation nature.

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 527.45 tonnes (FY2023: 802.87 tonnes) during the Reporting Period. The overall decrease was due to Tianfa Equipment's production and use of machined metal scrap was decreased compared to FY2023.

Non-hazardous waste in FY2024	Consumption (in tonnes)	Intensity (per revenue in RMB'000)
Total (in tonnes)	**527.45**	**0.00035**

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

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.

The utilities, electrical and mechanical and pharmaceutical segments had generated hazardous waste during their operations, which included used oil, scrap mica, oily waste, organic waste, toxic waste carbon and scraped drugs. During the Reporting Period, the total amount of hazardous waste produced by the above-mentioned segments was 533.57 tonnes (FY2023: 353.46 tonnes).

Total hazardous waste	FY2024 Total (Tonnes)
Total (Tonnes)	**533.57**
Intensity (per revenue in RMB'000)	**0.00036**

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste management (Continued)

In order to achieve our target on reducing the amount of waste generated, solid waste collection points have been established to centralise the storage of solid waste so as to avoid pollution. Recyclable solid wastes have been collected and recycled by designated departments. All hazardous wastes have been collected and handled by licensed service providers during the Reporting Period. In FY2024, the disposal of previously accumulated expired drugs and a rise in used oil resulting from the inclusion of a newly acquired subsidiary in Lisheng leads to an increase in hazardous waste.

The storage of hazardous waste has fulfilled the "Standard for Pollution Control on Hazardous Waste Storage"(危險廢物貯存污染控制標準), which stipulates the requirements in handling, storage and disposal of hazardous waste, and trainings have been provided to our employees on hazardous waste management. The Group has no significant hazardous chemicals used in our operations.

A2 Use of Resources

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

Energy consumption

Statistics of our consumption of the direct and indirect energy during the Reporting Period together with the comparative figures for FY2023 are shown as below:

	Consumption		**Intensity (per revenue in RMB'000)**	
Type	**FY2024**	FY2023	**FY2024**	FY2023
Petrol (Tonnes)	**40.05**	47.41	**0.000023**	0.000029
Diesel (Tonnes)	**10.06**	3.07	**0.000001**	0.000012
Natural gas (m^3)	**2,316,407.77**	2,356,538.00	**1.33**	1.50
Electricity (kWh)	**44,308,986.82**	44,881,232.65	**16.12**	16.82
Heat (GJ)	**4,625.88**	4,569.23	**0.019**	0.017
Steam (Tonnes)	**3,341,729.08**	3,612,576.01	**1.43**	1.60

Note: The above statistics cover the major types of energy consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng in FY 2024.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

We are committed to achieving our target to reduce the indirect energy used and we have assigned relevant personnel to conduct energy inspections by doing regular analysis of energy consumption in a timely manner in order to strengthen the management of energy use and inspect whether there is abuse of energy.

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

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

- Establishing energy management systems to monitor and control the use of energy.
- Deploying high-efficiency machines and equipment.
- Replacing halogen light bulbs with LED lighting in the warehouse.
- Implementing solar water heating systems and automated temperature control systems.
- Switching off non-essential lighting and reducing the use of air-conditioning.
- Controlling the use of corporate vehicles and performing regular maintenance to reduce the fuel consumption.
- Replacing coal-fired boiler with steam boiler.
- Transforming the thermal control system in pharmaceutical drying chamber from hot water to steam plate type heat exchanger（原板式換熱器）.
- Engaging our staff through trainings and various activities to raise the awareness of energy saving.
- Installing automatic heating stations to self-regulate the secondary supply temperature（二次側供溫）based on the outdoor temperature.
- Setting limit for the use energy e.g., steam.
- Optimising air conditioning system according to the workshop environment by adjusting the fan speed to reduce power consumption.
- Installing energy-efficient equipment in stages.
- Strengthening energy inspections, regularly analysing energy consumption, and finding and solving problems in a timely manner.
- Strengthening the management of energy use, checking whether there is any abuse of energy use points, promptly stopping and holding relevant personnel accountable.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Energy consumption (Continued)

- Strengthening energy technology transformation and improving both the quantity and quality of energy-saving projects.
- Installing frequency conversion device to some power equipment of heat exchange station, including refilling pump and circulating pump.
- Revamping energy management system in order to enhance data analytics function and early warning system to reduce energy consumption.
- Redesigning indoor heating system by reusing hot water generated during the production process to extract thermal energy, thereby powering the indoor heating system.
- Replacing lampposts with solar-powered lights.

Following the implementation of energy reduction initiatives, both electricity consumption and intensity decreased during the Reporting Period. We will keep exploring various strategies and initiatives in order to achieve our target.

Water usage

During the Reporting Period, the aggregate amount of water consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng was 1,598,922.00 tonnes, with an intensity of 0.58 tonnes per revenue (RMB'000) (FY2023 Consumption: 1,376,161.00 tonnes; FY2023 Intensity: 0.52 tonnes per revenue (RMB'000)). As the water supply from Yangtze River is insufficient, Water Company switch to use Luan River, which has unstable quality. This result to the increase in water consumption as water from Luan River increases filtration requirements and backwash frequency.

We have implemented water saving measures. These include the following:

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

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Water usage (Continued)

- Strengthening energy inspections, regularly analysing energy consumption, and finding and solving problems in a timely manner.

- Strengthening the management of energy use, checking whether there is any abuse of energy use points, promptly stopping and holding relevant personnel accountable.

- Strengthening energy technology transformation and improving both the quantity and quality of energy-saving projects.

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

Although water consumption increased compared to FY2023, our ongoing water initiative and efforts resulted in a decrease in water consumption intensity compared to FY2019.

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

Upon completion of this project, Water Company will transition its water sources to the water tower during the production phase in the formulation workshop, utilising treated waste to supply water. This innovative approach will achieve substantial water conservation, saving no less than 45 tonnes of tap water daily. With the water station operating for 229 days annually, this translates to an annual savings of at least 10,305 tonnes of tap water. Looking ahead, Water Company plans to expand on this success by identifying further opportunities for water reuse and efficiency improvements across its operations. The Group will also implement advanced monitoring systems to ensure the sustained effectiveness of these initiatives. Additionally, we will continue to collaborate with industry partners and stakeholders to drive innovation in sustainable water management practices. These efforts align with the Group's commitment to environmental stewardship and operational excellence, reinforcing its position as a key player in responsible resource management and contributing to a more sustainable future.

Packaging materials

Lisheng consumes packaging materials for containing and protecting our pharmaceutical products while Tianfa Equipment also consumes a small amount of packaging materials. Despite the fact that using packaging materials is inevitable, we strive to minimise the packaging materials by adopting simple design, as well as using recycled and recyclable materials as possible. We have also set up consumption quotas for each type of packaging materials, allowing us to closely monitor and evaluate the usage of packaging materials at the end of every production month. During the Reporting Period, our total packaging materials used for protecting our pharmaceutical products by Lisheng was 3,344.78 tonnes (FY2023: 2,490.28 tonnes) which have been increased compared to FY2023. This rise is attributable to the newly acquired subsidiary by Lisheng during the Reporting Period.

A. ENVIRONMENTAL (Continued)

A3 The Environment and Natural Resources

Environmental impact management

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

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

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

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

A4 Climate Change

Impact of climate change

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

The Group has observed that climate change has rapidly emerged as a global concern. In Tianjin, extreme weather events such as high temperatures, heavy rains, thunderstorms, cold waves, extreme cold and heavy fog are becoming increasingly frequent. These events may result in operational disruptions, damage to the Group's machinery, equipment, and assets, and resulting in higher repair, maintenance, and production costs. In addition, such conditions may cause casualties, potentially exposing the Group to legal and financial liabilities.

The Group has also considered how climate change can affect the short-term to long-term cash flow, financing channel and cost of capital.

The Group defines short-term as up to 2025, medium-term as up to 2030, and long-term as up to 2050.

A. ENVIRONMENTAL (Continued)

A4 Climate Change (Continued)

Impact of climate change (Continued)

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

Climate-related risks

Type of risk	Description	Time Horizon	Potential impacts
Physical risk	• Occurrence of extreme weather events, such as high temperature, heavy rain, thunderstorms, extreme wind etc.	Short to Long-term (2025 to 2050)	• Increased operational costs for maintaining workplace temperatures • Potential health risks for employees • Increased insurance costs • Disruptions in transportation and supply chain
Transition risk – policy and legal risks	• Government tightened environmental guidelines and reporting requirements for high polluted industries, such as increasing the price for carbon credit or limit emission	Medium to Long-term (2030 to 2050)	• Increased operational costs to comply with stricter regulatory requirements

Climate-related opportunity

Opportunity	Descriptions	Potential Impacts
Technology opportunities	• Use of more renewable energy and environmentally friendly materials	• Risking revenue and market shares from growing demand in green consumption, which will positively increase the financing channel

The Group has conducted a comprehensive three-step assessment of the current and potential financial impacts related to climate risks and opportunities.

Renewable energy usage

The Group is committed to promoting the use of renewable energy as part of our sustainability strategy. We plan to reduce our reliance on traditional energy sources and minimise our carbon footprint. These efforts not only align with global sustainability goals but also enhance our energy efficiency and cost-effectiveness over the long term. The use of renewable energy reduces greenhouse gas emissions, supports the fight against climate change, and strengthens the resilience of our business against fluctuating energy prices.

The Group recognises that renewable energy is a critical component of a sustainable future, and we remain dedicated to expanding its use while fostering innovation to meet our energy needs responsibly.

B. SOCIAL

B1 Employment

Remuneration and benefits

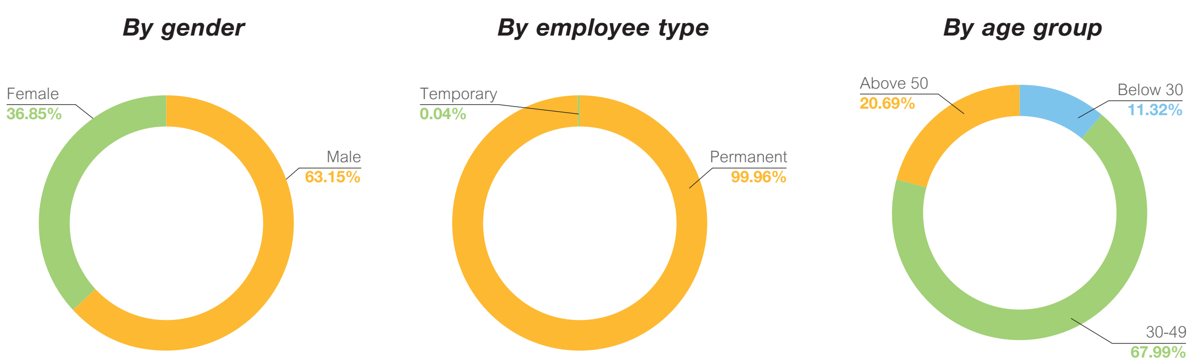
The Group promotes ethical and fair labour policies in the interest of our people. We value and respect the rights of our employees. To uphold the labour standards and fulfil our obligation as well as responsibilities as employer, our operating segments have established and complied with the comprehensive "salary guidelines" since 2021 with reference to the relevant labour laws and regulations to govern the employee compensation and dismissal, recruitment and promotion, working hours and leaves policy, which have been clearly communicated to relevant employees and are regularly reviewed where necessary to ensure proper execution.

Equal opportunity and anti-discrimination

The Group also promotes equal opportunity and other welfares, and we will consider hiring disabled persons where appropriate. The Group consistently follows the requirements as set out in the related law and regulations, including the "Labour Law of the People's Republic of China"(中華人民共和國勞動法), the "Labour Contract Law of the People's Republic of China"(中華人民共和國勞動合同法), Law of the People's Republic of China on the Protection of Rights and Interests of Women(中華人民共和國婦女權益保障法)and the "Trade Union Law of the People's Republic of China"(中華人民共和國工會法).

There were no material non-compliance issues noted regarding our labour practices during the Reporting Period. By the end of FY2024, the Group's principal operating segments have a total workforce of 2,499 employees (FY2023: 2,163 employees) based in Northern China region with a turnover rate of around 5.70% (FY2023: 2.17%).

Employee Profile



Employee Profile	FY2024	FY2023
By gender		
Male	**1,578**	1,461
Female	**921**	702
By employee type		
Permanent	**2,498**	2,161
Temporary	**1**	2
By age group		
Below 30	**283**	194
30-49	**1,699**	1,411
Above 50	**517**	558

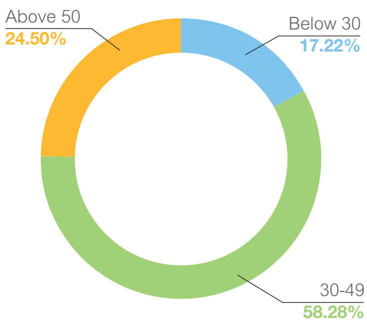
B. SOCIAL (Continued)

B1 Employment (Continued)

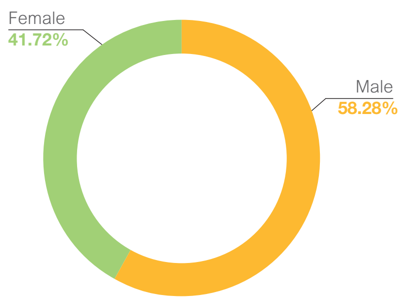
Equal opportunity and anti-discrimination (Continued)

Composition of turnover

By age group



By gender



Turnover Rate

	By gender		By age group		
Reporting Year	**Male**	**Female**	**Below 30**	**30-49**	**Above 50**
FY2024	5.58%	6.84%	9.19%	5.18%	7.16%
FY2023	2.40%	1.85%	6.19%	1.06%	3.76%

Talent management

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

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

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

B. SOCIAL (Continued)

B2 Health and Safety

Workplace health and safety

In FY2024, the Group deepened the reform, transformation and development of state-owned enterprises, and embarked on a new journey of building a health career. The Group adheres to the concept of “people first, life first” and firmly establishes the awareness that “the safety of people’s lives is always the first priority”. We prioritised building a robust health enterprise while deepening state-owned enterprise reforms. Adhering to a “people first, life paramount” spirits, we maintained a stable safety production, reflecting a commitment to safety and duty.

Health and safety of each and every employee is of paramount importance to us. The Group has compelling responsibility to protect the well-being of workers and minimise the possibility of accidents which may lead to immeasurable and irreparable workplace injuries. We strictly follow the “State Administration of Work Safety Act”(國家安全生產法), the “Fire Control Law of the People’s Republic of China”(中華人民共和國消防法), the “Provisions on the Administration of Occupational Health at Workplaces”(工作場所職業衛生監督管理規定), the “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases”(中華人民共和國職業病防治法), the “Regulations on Safety Supervision over Special Equipment”(特種設備安全監察條例), the “Regulations on the Safety Administration of Dangerous Chemicals”(危險化學品安全管理條例), the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance”(職業健康監護管理辦法), the “Regulation on Work-Related Injury Insurances”(工傷保險條例), and have obtained the “The National Standard of Occupational Health and Safety Management Systems”(職業健康安全管理體系認證) 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.

There were 750 and 728 lost days due to work injury during the Reporting Period and FY2023 respectively. An incident working group will be immediately established to conduct a thorough review into the incident and formal report will be made to inform the relevant authorities once the accident happened. The working group also brought forward some recommendations to prevent similar incidents from happening in the future.

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

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

B. SOCIAL (Continued)

B2 Health and Safety (Continued)

Workplace health and safety (Continued)

Reporting Year	Work-related fatalities
FY2024	0
FY2023	0
FY2022	1

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

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

B3 Development and Training

Employee development and training

We value the development of our employees and aim at assisting employees to achieve their career goals while meeting our business objectives. Recognising the importance of employee growth, we have developed 14 training initiatives across 28 areas to support our employees in fulfilling their roles and responsibilities while meeting operational needs. Tianfa Equipment has adopted an apprenticeship system not only can it help nurture future leaders from current practitioners, but it also allows our employees to develop their professional network throughout on-the-job training. In order to strengthen and expand the domain of knowledge of our professional technicians in pharmaceutical segment, we have also launched online continuing education program to introduce the latest industry advancements. In addition, Water Company has conducted thematic work trainings including but not limited to production safety, environment protection, and qualification to improve employees' professionalism at work. Furthermore, to equip our employees with technical knowledge and skills as well as personal development, we offer both internal and external training opportunities for various levels of employees such as international conference, exhibitions.

B. SOCIAL (Continued)

B3 Development and Training (Continued)

Employee development and training (Continued)

During the Reporting Period, the Group has provided 68,894 hours (FY2023: 83,225 hours) of training to 2,158 employees (FY2023: 1,926 employees). The Group will offer more diverse and specialised training to all employees in the foreseeable future. Statistics in relation to development and training in FY2024 are as shown below:

	Percentage of employees trained		Average training hours completed per employee	
	FY2024	FY2023	**FY2024**	FY2023
Overall training proportion				
Per total employee number	**86.35 %**	89.04%	**27.57**	38.48
By Gender				
Male	**59.73%**	66.87%	**20.45**	34.75
Female	**40.27%**	33.13%	**39.76**	46.24
By Employee Category				
General staff	**88.83%**	90.65%	**26.78**	38.23
Middle management	**9.18%**	8.00%	**33.11**	38.82
Senior management	**1.99%**	1.35%	**39.55**	50.38

B4 Labour Standards

Prevention of child and forced labour

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

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

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

B. SOCIAL (Continued)

B5 Supply Chain Management

Responsible procurement

In the supplier selection process, the Group takes suppliers' social and environmental protection responsibilities into consideration, in addition to product or service quality and commercial factors. Our suppliers must comply with the national requirements and acquire relevant licenses and qualifications. We also regularly review the status of selected suppliers so as to ensure they meet the requirements. The Company has established a supplier selection procedure to standardise the process of supplier selection to ensure that only qualified suppliers without conflict of interest are engaged. Apart from collection the qualification certificates from new suppliers, we also perform on-site assessments at selected suppliers to assess their working environment and the safety of materials used.

Number of suppliers by region	**FY 2024**	FY 2023
Northern China	**453**	351
Northeast China	**56**	35
Eastern China	**175**	91
Southern China	**49**	30
Southwest China	**10**	9
Northwest China	**7**	11
Others	**0**	17

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

B6 Product Responsibility

Product and service quality

We embrace the philosophy of "Safety First, Customer Foremost"（安全第一、用戶至上）. We strive to provide quality products and services and make continuous improvement to achieve a higher standard. We are introducing a barrier-free "sell-to-home"（入戶售水服務）business model to simplify the purchase process for disabilities and elderly. The supply of water also meets the national standards including but not limited to the "Sanitary Standard for Drinking Water"（生活飲用水衛生標準）, the "Water Quality Standards for Urban Water Supply"（城市供水水質標準）, the "Technical Specification for Operation, Maintenance and Safety of City and Town Waterworks"（城鎮供水廠運行、維護及安全技術規程）to ensure the provision of a reliable and clean water supply.

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Product and service quality (Continued)

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

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

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

Pharmaceutical product safety

For our pharmaceutical segment, we are in strict compliance with the "Good Manufacturing Practice" ("**GMP**")(藥品生產和質量管理規範), "Pharmaceutical Administration Law"(藥品管理法), "Provisions on the Administration of Pharmaceutical Directions and Labels"(藥品說明書和標籤管理規定), "Advertising Law of the People's Republic of China"(中華人民共和國廣告法), "Measures for the Administration on Report and Monitoring of the Side Effect of Pharmaceuticals"(藥品不良反應報告和監測管理辦法), "Administrative Measures for Drug Recalls"(藥品召回辦法), the "Product Quality Law of the People's Republic of China"(中華人民共和國產品質量法), the "Tort Law of the People's Republic of China"(中華人民共和國侵權責任法), and other relevant laws and regulations. Along with the compliances, the Group has formulated relevant procedures for product return and pharmaceutical recall, which aim to ensure product quality and marketing ethics to our customers. Throughout our procurement and service processes, we assure the quality and transparency of products with our "Policy & Procedure of Customer rights"(客戶權益政策)to prevent any potential infringement and harm to our customers' rights, health and safety. Lisheng seeks to safeguard the rights of the customers and does not tolerate any potential mislead, cheat or behaviours that could damage the trust of our customers. To promote better quality control, Lisheng has established quality management systems comprised of regular self-inspection and quality audit by independent quality control team, for the production as well as sales and marketing functions. Understanding the importance of intellectual property rights, we strictly follow the labelling requirements of our partners and ensure the accuracy and authenticity of the information published in relevant marketing activities. All internal documents relating to patents and intellectual property are encrypted and kept securely.

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

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Cybersecurity and privacy protection

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

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

B7 Anti-corruption

Anti-corruption and money laundering

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

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

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 employee to participate in various internal and external community programmes.

Our community investment focused on assisting the underprivileged, through organising and participating in a great variety of social activities with various charity institutions. Key activities include visits to child welfare and nursing homes to show our care and concern to underprivileged children and the elderly, holds free movie screenings in rural areas to promote community cohesion, and provides donations and sponsorships to the underprivileged to enhance health and living standards.

During the Reporting Period, we implemented several social initiatives, including a door-to-door water sales service to provide safe, reliable water access for elderly individuals with disabilities. Additionally, we established a youth volunteer team that organised public service activities inspired by the spirit of Lei Feng, delivered lectures on elderly disease prevention and treatment, and hosted free medical consultations in rural Tianjin and Fenyi. These efforts aimed to improve health awareness and contribute to a harmonious, healthy society. On International Children's Day, our volunteers visited a child welfare home, donating toys and daily necessities to support the children.

CORPORATE CULTURE

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best corporate governance practices. This Corporate Governance Report describes the way the Company has applied the principles of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Throughout the year, the Company has complied with the code provisions as set out in the CG Code.

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 2024, the Board consists of eight members, comprising three executive directors, being Mr. Teng Fei *(Chairman)*, Dr. Zhai Xinxiang *(General Manager)* and Mr. Xia Binhui, one non-executive director, being Mr. Sun Lijun and four independent non-executive directors, being Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick.

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

On 30 December 2024, Mr. Xia Binhui was appointed as executive director and deputy general manager of the Company. He has obtained the legal advice from a firm of solicitors as required under Rule 3.09D of the Listing Rules on 20 December 2024 and has confirmed that he understood his obligations as a director of the Company.

Coming from different professional backgrounds, all directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. The non-executive directors have brought their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The independent non-executive directors contribute by ensuring that the interests of all shareholders of the Company are taken into account by the Board. The biographical details of each director are disclosed on pages 16 to 19 of this Annual Report.

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider each of them independent. The Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

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

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

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

Chairman and General Manager

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

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

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

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

Board Responsibilities

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

In the course of discharging their duties, the directors act in good faith with due diligence and care and in the best interests of the Company and its shareholders. Their responsibilities include regular board meetings focusing on business strategy, operational issues and financial performance; active participation on the boards of subsidiaries and associates; monitoring the quality, punctuality, relevance and reliability of internal and external reporting; monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and ensuring the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and professional ethics.

The Board is responsible for performing the corporate governance duties and has adopted a set of corporate governance guidelines with reference to the CG Code. The major work performed by the Board during the year ended 31 December 2024 included reviewing and, where applicable, approving/adopting the following matters:

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

Board Proceedings

All members of the Board meet in person regularly and have full and timely access to relevant information. Moreover, the Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense, if necessary. All directors are required to declare their interests, if any, in any transaction, or proposal to be considered at Board meetings and to abstain from voting on any related resolutions.

The Articles of Association contain description of responsibilities and operation procedures of the Board. Board meetings include regular meetings and other meetings.

Due notice and board papers were given to all directors prior to the Board meetings in accordance with the Articles of Association and the CG Code. The minutes of the Board meetings are prepared by the Company Secretary with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the Board or views expressed.

During the year, the Company held five 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. Teng Fei *(Chairman)*	(appointed as Chairman on 27 March 2024)	5/5
Dr. Zhai Xinxiang *(General Manager)*		4/5
Mr. Xia Binhui	(appointed on 30 December 2024)	0/0
Mr. Wang Gang	(resigned on 27 March 2024)	0/2
Non-Executive Director		
Mr. Sun Lijun		4/5
Independent Non-Executive Directors		
Ms. Ng Yi Kum, Estella		5/5
Mr. Wong Shiu Hoi, Peter		5/5
Mr. Lau Ka Keung		5/5
Mr. Sin Hendrick		4/5

In addition to Board meetings, informal meetings between the Chairman and the independent non-executive directors without the presence of other directors and the management were held.

Continuous Professional Development

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

Name of Director		Participation in Continuous Professional Development
Executive Directors		
Mr. Teng Fei *(Chairman)*	(appointed as Chairman on 27 March 2024)	✓
Dr. Zhai Xinxiang *(General Manager)*		✓
Mr. Xia Binhui	(appointed on 30 December 2024)	✓
Mr. Wang Gang	(resigned on 27 March 2024)	N/A
Non-Executive Director		
Mr. Sun Lijun		✓
Independent Non-Executive Directors		
Ms. Ng Yi Kum, Estella		✓
Mr. Wong Shiu Hoi, Peter		✓
Mr. Lau Ka Keung		✓
Mr. Sin Hendrick		✓

note:

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

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee was established in 2005 and comprises of two independent non-executive directors, Mr. Lau Ka Keung and Ms. Ng Yi Kum, Estella and one executive director, Mr. Teng Fei. It is chaired by Mr. Lau Ka Keung. A written terms of reference of the Remuneration Committee, which describes the authority and duties of the Remuneration Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

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

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

Name of Director		Attended/Eligible to Attend
Mr. Lau Ka Keung *(Chairman)*		1/1
Ms. Ng Yi Kum, Estella		1/1
Mr. Teng Fei	(appointed on 27 March 2024)	0/0
Mr. Wang Gang	(resigned on 27 March 2024)	0/1

The major work performed by the Remuneration Committee during the year ended 31 December 2024 included reviewing and where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– remuneration packages for the appointment of directors;

– terms of directors' letters of appointment; and

– discretionary bonus for the year 2023 of the Company's directors and senior management.

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

Details of the emoluments of the directors for the year ended 31 December 2024 are set out in Note 10 to the consolidated financial statements.

Audit Committee

The Audit Committee comprises of four independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick. It is chaired by Ms. Ng Yi Kum, Estella. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements, risk management (including ESG risks) and internal control systems. The Audit Committee meets with the Company's external auditor to discuss the audit process and the accounting and internal control issues. A written terms of reference, which describes the authority and duties of the Audit Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

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

Name of Director	Attended/Eligible to Attend
Ms. Ng Yi Kum, Estella *(Chairman)*	3/3
Mr. Wong Shiu Hoi, Peter	3/3
Mr. Lau Ka Keung	3/3
Mr. Sin Hendrick	2/3

The major work performed by the Audit Committee during the year ended 31 December 2024 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

– financial statements and continuing connected transactions included in the annual report;

– interim financial statements included in the interim report;

– effectiveness of the risk management (including ESG risks) and internal control matters;

– external auditor's statutory audit plan, letters to the management and 2024 audit fees;

– non-audit services provided by the external auditor; and

– adequacy of resources, staff qualifications and experiences, training programmes and budget of the accounting, internal audit and financial reporting functions of the Company.

Investment Committee

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

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

Investment Committee (Continued)

During the year, the Investment Committee held one meeting and also dealt with matters by way of written resolutions. Members of the Investment Committee reviewed and considered the disposal of 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd. (天津田邊製藥有限公司) and the subscription of wealth management products. Details of the transactions were disclosed in the Company's announcements dated 10 May 2024, 11 June 2024, 28 June 2024 and 26 September 2024. The attendance of committee members is recorded below:

Name of Director		Attended/Eligible to Attend
Mr. Sin Hendrick *(Chairman)*		1/1
Mr. Wong Shiu Hoi, Peter		1/1
Mr. Teng Fei	(appointed on 27 March 2024)	0/1
Mr. Wang Gang	(resigned on 27 March 2024)	0/0

Nomination Committee

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

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

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

Name of Director		Attended/Eligible to Attend
Mr. Teng Fei *(Chairman)*	(appointed on 27 March 2024)	0/0
Ms. Ng Yi Kum, Estella		1/1
Mr. Lau Ka Keung		1/1
Mr. Sin Hendrick		1/1
Mr. Wang Gang	(resigned on 27 March 2024)	0/1

Nomination Committee (Continued)

The major work performed by the Nomination Committee during the year ended 31 December 2024 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

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

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

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

- review the structure, size and composition (including but not limited to the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, with due regard for the benefits of diversity to the Board;
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive.

Directors who are appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then be eligible for re-election. At each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years.

Each of the directors on appointment to the Board is provided with a package of orientation materials setting out the duties and responsibilities of directors under the Listing Rules and other applicable statutory and regulatory requirements. The orientation meeting with newly appointed director(s) will be held for briefing on business and operations of the Company.

Nomination Committee (Continued)

As at 31 December 2024, the Board's composition under diversified perspectives is summarised as follows:

Capacity	
Executive director	3
Non-executive director	1
Independent non-executive director	4

Gender	
Male	7
Female	1

Length of service	
5 years or below	6
6 to 9 years	0
over 9 years	2

Age group	
Below 50	4
50 to 59	2
60 or above	2

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

As at 31 December 2024, the Group had a total of approximately 2,729 employees (including senior management) and the ratio of male to female employees was around 2:1. The Group consistently implements the management ideology of a "fairness and impartially, suitability for the job" during its recruitment process, and promotes "recommending talents and avoiding relations" as a principle for recruitment, so as to ensure that every applicant has an equal opportunity, and that talents are competing in a fair environment.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

The Company has also established written guidelines regarding securities transactions on no less exacting terms than the Model Code for senior management and specific individuals who may have access to price-sensitive information in relation to the securities of the Company.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") has been appointed as independent auditors of the Group. The Audit Committee has reviewed Deloitte's proposal in respect of their scope of work and fees for the audit of 2024. Deloitte has carried out statutory audit in relation to the Company's financial statements prepared under the HKFRS Accounting Standards, Hong Kong Accounting Standards and the Hong Kong Companies Ordinance for the year 2024 and also reviewed the 2024 unaudited interim financial statements of the Company in accordance with the HKFRS Accounting Standards.

During the year, the fees paid to Deloitte in respect of audit services amounted to approximately HK$7,290,000 and non-audit services in relation to consultancy and review services amounted to approximately HK$465,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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

– Risk Identification: Our External Advisor assisted our management to identify risks that are relevant to the Group, including risks relating to strategy and corporate governance, operational risks, financial risks, legal and compliance risks, as well as ESG and climate-related risks. All of the identified risks are consolidated into a risk inventory.

– Risk Assessment: All of the risks are evaluated by our management based on our predefined risk assessment criteria associated with two risk dimensions: (i) impact to the Group; and (ii) the Group's vulnerability to each of the risk.

– Risk Response: Risk owners are assigned to each of the risk which are responsible for formulating the risk mitigation plans.

– Risk Monitoring: Risk owners are responsible for monitoring the implantation and effectiveness of the risks mitigation plans.

The risk management report prepared by the External Advisor and the internal audit reports prepared by Acclime Consulting in accordance with the risk-based internal audit plan for the year 2024 have been reviewed and discussed at the Audit Committee meetings held on 21 August 2024 and 21 March 2025, respectively. The Board together with the senior management have respectively on 29 August 2024 and 28 March 2025, reviewed, considered and discussed all the findings in relation to the risk management and internal control systems and recommendations thereto, and have concluded that the overall risk management and internal control systems of the Group have been effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the reviews.

GOING CONCERN

The directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy which aims to provide shareholders with equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and engage actively with the Company. The Company uses a range of communication tools to ensure that shareholders and stakeholders are well informed of its business development. These include general meetings, annual reports, various notices, announcements and circulars. Shareholders and stakeholders may also make enquiries to the Company in writing at Suites 7-13, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or via email at ir@tianjindev.com.

The general meetings provide a useful forum for the shareholders of the Company to express their views and comments and the shareholders are encouraged to attend the general meetings of the Company to exchange views with the Board. The Chairman, directors, board committees' members and external auditor, where appropriate, are available to answer questions at the meetings. An annual general meeting and an extraordinary general meeting of the Company were held on 13 June 2024 and 30 December 2024 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. Teng Fei *(Chairman)*	(appointed as Chairman on 27 March 2024)	1/1	1/1
Dr. Zhai Xinxiang *(General Manager)*		1/1	1/1
Mr. Xia Binhui	(appointed on 30 December 2024)	0/0	0/0
Mr. Wang Gang	(resigned on 27 March 2024)	0/0	0/0
Non-Executive Director			
Mr. Sun Lijun		1/1	1/1
Independent Non-Executive Directors			
Ms. Ng Yi Kum, Estella		1/1	1/1
Mr. Wong Shiu Hoi, Peter		1/1	0/1
Mr. Lau Ka Keung		1/1	1/1
Mr. Sin Hendrick		1/1	1/1

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

COMMUNICATION WITH SHAREHOLDERS (Continued)

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, the Company has adopted a new set of Articles of Association. Such document is available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 74 to 78 of this Annual Report.

The board of directors of the Company (the "**Board**") herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024.

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 "*Chairman's Statement*", "*Management Discussion and Analysis*", "*Environmental, Social and Governance Report*" and "*Corporate Governance Report*" of this Annual Report, which form part of this report of the directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 79.

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 HK5.18 cents per share (2023: HK3.45 cents per share) was paid on 28 October 2024. The Board recommends the payment of a final dividend of HK8.82 cents per share (2023: HK8.80 cents per share). Details are set out in Note 11 to the consolidated financial statements.

DIVIDEND POLICY

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

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

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Notes 32 and 53 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

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

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2024 are set out in Note 34 to the consolidated financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

Pursuant to the 2022 Facility Agreement, it will be an event of default, inter alia, if: (i) the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal People's Government ("**Tianjin SASAC**") ceases to maintain a majority shareholdings ownership directly or indirectly in the Company of more than 50%; or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien Group Company Limited（津聯集團有限公司）("**Tsinlien**").

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

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

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

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

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

(iii) On 16 February 2024, the Company entered into a facility letter (the "**2024 Facility Letter I**") with a bank as lender (the "**2024 Facility Lender I**") in respect of an uncommitted revolving loan facility of HK$100 million (the "**2024 Facility I**"). The 2024 Facility I has no fixed term and is subject to review from time to time at the 2024 Facility Lender I's discretion.

According to the 2024 Facility Letter I, the Company undertakes, among others, that the Tianjin SASAC shall remain as the ultimate beneficial owner of the Company and at all times maintain more than 50% of the shareholding ownership, directly or indirectly, in the Company.

If violation of the relevant undertakings under the 2024 Facility Letter I occurs, all amounts (including principal and interest accrued thereon) owing by the Company to the 2024 Facility Lender I shall become immediately due and payable without further demand or other legal formality of any kind and the 2024 Facility Lender I shall not be required to provide any further services, accommodation or make any further advances under any of facilities to the Company. In addition, the 2024 Facility Lender I shall have the liberty to execute its rights under the 2024 Facility Letter I, related loan documents or any applicable terms and conditions for satisfying the liabilities of the Company.

(iv) On 11 December 2024, the Company entered into a facility letter (the "**2024 Facility Letter II**") with a bank as lender (the "**2024 Facility Lender II**") in respect of an uncommitted revolving loan facility of HK$100 million (the "**2024 Facility II**") for a period of 12 months from the date of acceptance of the 2024 Facility Letter II.

According to the 2024 Facility Letter II, the Company undertakes, among others, that the Tianjin Municipal People's Government shall maintain not less than 50% direct or indirect majority shareholding ownership in the Company, and the Company shall remain under direct or indirect management control of Tsinlien.

If violation of the relevant undertakings under the 2024 Facility Letter II occurs, the 2024 Facility Lender II shall have the liberty to execute its rights under the 2024 Facility Letter II, related loan documents or any applicable terms and conditions for satisfying the liabilities of the Company.

As at 31 December 2024, the above specific performance obligations imposed on the controlling shareholder(s) of the Company continue to exist.

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 2024.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Teng Fei *(Chairman)*	(appointed as Chairman on 27 March 2024)
Dr. Zhai Xinxiang *(General Manager)*	
Mr. Xia Binhui	(appointed on 30 December 2024)
Mr. Wang Gang	(resigned on 27 March 2024)

Non-Executive Director

Mr. Sun Lijun

Independent Non-Executive Directors

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

In accordance with article 92 of the Company's articles of association, Mr. Xia Binhui 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. Sun Lijun, Mr. Lau Ka Keung and Mr. Sin Hendrick will retire from office by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed "*Biographical Details of Directors and Senior Management*" on pages 16 to 20.

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

DIRECTORS' SERVICE CONTRACT

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Teng Fei was director of each of Tianjin TEDA Industrial Group Co., Ltd.(天津泰達實業集團有限公司) ("**TEDA Industrial**") and Tianjin Bohai State-owned Assets Management Co., Ltd.(天津渤海國有資產經營管理有限公司) ("**Tianjin Bohai**") which, through certain of their subsidiaries, is partly engaged in the businesses of pharmaceutical including manufacture and sale of medicinal raw materials, food additive and medical disinfecting products.

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

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 2024, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 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.

SHARE SCHEME

The Company and its subsidiaries does not have any share scheme under Chapter 17 of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Group were subsisting as at 31 December 2024 and the Group did not enter into any equity-linked agreements during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2024, the following persons or corporations, other than the directors or chief executive of the Company, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("**TEDA Holding**")	1&2	Interest of controlled corporation	673,759,143	62.81%
TEDA Industrial	1&2	Interest of controlled corporation	673,759,143	62.81%
Tianjin Bohai	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 Tianjin Bohai, which in turn is a direct wholly-owned subsidiary of TEDA Industrial. TEDA Industrial is a non-wholly owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, TEDA Industrial and Tianjin 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 2024, 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 2024, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

CONNECTED TRANSACTIONS (Continued)

Connected Transactions

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

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

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

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

(ii) On 20 December 2024, the board of directors of Lisheng Pharmaceutical proposed the adoption of the restricted share award scheme (the "**Share Award Scheme**"), subject to the approval by the shareholders of Lisheng Pharmaceutical, to grant up to 7,210,000 ordinary shares of Lisheng Pharmaceutical ("**Restricted Shares**") to certain targeted participants, out of which, 230,000 Restricted Shares were intended to be granted to Mr. Zhang Ping, Mr. Wang Fujun and Ms. Wang Qian (the "**Connected Grantees**"), being the directors and/or chief executive of Lisheng Pharmaceutical and thus connected persons of the Company at the subsidiary level.

As Lisheng Pharmaceutical is not a principal subsidiary of the Company under Rule 17.14 of the Listing Rules, the relevant requirements in relation to share schemes of a principal subsidiary of the listed issuer under Chapter 17 of the Listing Rules are not applicable. However, granting Restricted Shares to the Connected Grantees is a transaction between the Group and connected persons of the Company at the subsidiary level. Given that all of the percentage ratios applicable to such grant to the Connected Grantees calculated on an aggregated basis are less than 1%, pursuant to Rule 14A.76(1)(b) of the Listing Rules, such grants are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The resolutions in relation to the approval of the Share Award Scheme were duly passed by the shareholders of Lisheng Pharmaceutical at its general meeting held on 5 February 2025. Accordingly, the Share Award Scheme has been duly adopted.

Details of the transaction were disclosed in the Company's announcements dated 20 December 2024 and 6 February 2025.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions

As at the date of this report, TEDA Holding is the controlling shareholder of the Company, through certain of its subsidiaries including Tianjin Bohai, indirectly holds approximately 62.81% of the total issued shares of the Company, TEDA Holding and its subsidiaries (other than members of the Group) (the "**TEDA Holding Group**") are therefore connected persons of the Company as defined in the Listing Rules. In addition, Tianjin Bohai directly holds 33% equity interest in Tianjin Pharmaceutical Group Co., Ltd.（天津市醫藥集團有限公司）("**Tianjin Pharmaceutical**"), Tianjin Pharmaceutical is therefore an associate of Tianjin Bohai and also a connected person of the Company as defined in the Listing Rules.

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

(i) Water Transmission Pipelines Lease Master Agreement

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

(a) the monthly leasing fee shall be calculated based on 115% of (i) the monthly depreciation costs of the relevant Water Transmission Facilities plus (ii) the relevant loan interest attributable to the costs of construction of the Water Transmission Facilities incurred by relevant members of the TEDA Holding Group; and

(b) in case the lessee is unable to use any Water Transmission Facilities due to any maintenance work necessitated by natural damage or causes unrelated to the lessee, the leasing fee for the relevant year will be adjusted to exempt the lessee from paying the leasing fee for the affected period.

For the year ended 31 December 2024, the total amount paid by the Group to TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB9,828,000 (equivalent to HK$10,765,000), which is within the annual cap of RMB17,300,000 (equivalent to HK$18,949,000).

On 15 November 2024, the Company entered into a new water transmission pipelines lease master agreement with TEDA Holding to continue the transactions for a further term of three years commencing from 1 January 2025 to 31 December 2027.

CONNECTED TRANSACTIONS (Continued)

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

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

For the year ended 31 December 2024, the total amount paid by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB9,320,000 (equivalent to HK$10,208,000), which is within the annual cap of RMB12,700,000 (equivalent to HK$13,910,000).

On 15 November 2024, the Company entered into a new heat and power networks and facilities lease master agreement with TEDA Holding to continue the transactions for a further term of three years commencing from 1 January 2025 to 31 December 2027.

(iii) Steam Purchase Master Agreement

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

(a) the guidance prices of natural gas for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC（中國天津市發展和改革委員會）from time to time and the current transacted prices of coal in the local coal exchange or market in the PRC;

(b) the rate of return of capital (with reference to the rate of return of capital as stipulated in the Energy Products Subsidy Plan in TEDA（天津開發區能源產品補貼方案）issued by the TEDA Finance Bureau from time to time); and

(c) the standard of quality of the steam and heat power products as specified in the individual purchase contract(s).

For the year ended 31 December 2024, the total amount paid by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB888,165,000 (equivalent to HK$972,798,000), which is within the annual cap of RMB1,633,000,000 (equivalent to HK$1,788,609,000).

On 15 November 2024, the Company entered into a new steam purchase master agreement with TEDA Holding to continue the transactions for a further term of three years commencing from 1 January 2025 to 31 December 2027.

CONNECTED TRANSACTIONS (Continued)

(iv) Products Procurement Master Agreement

On 29 August 2024, the Company entered into a products procurement master agreement (the "**Product Procurement Master Agreement**") with TEDA Holding in relation to the purchasing of certain product(s) including daily office supplies, consumables and spare parts and other products based on the business needs (the "**Consumable Products**") from members of the TEDA Holding Group to members of the Group for a term commencing from 1 September 2024 to 31 December 2024. The price of the Consumable Products shall be determined with reference to the type, quantity, quality and specifications of the Consumable Products and the pricing principles of the prevailing market price of the products of similar type and quality. In particular:–

(a) in respect of the Consumable Products available on the supply chain e-commerce system established and operated by the TEDA Holding Group (the "**TEDA E-Commerce Platform**"), the unit price will be the unit price as displayed on the TEDA E-Commerce Platform; and

(b) in respect of the Consumable Products not available on the TEDA E-Commerce Platform, members of the TEDA Holding Group may (at the request of the members of the Group) assist the members of the Group in sourcing the suitable and applicable Consumable Products and the terms in respect of settlement and payment and the unit price will be negotiated between the relevant members of the Group and the relevant members of the TEDA Holding Group in individual contracts on an arm's length basis and on normal commercial terms, with reference to the prevailing market price of similar products offered by independent third parties to the Group, and will not be less favourable to the Group than those available from independent third parties under the same commercial conditions.

For the period from 1 September to 31 December 2024, the total amount paid by the Group to the TEDA Holding Group under the Products Procurement Master Agreement was RMB48,374,000 (equivalent to HK$52,984,000), which is within the cap amount of RMB65,000,000 (equivalent to HK$71,194,000).

On 15 November 2024, the Company entered into a new products procurement master agreement with TEDA Holding to continue the transactions for a further term of three years commencing from 1 January 2025 to 31 December 2027.

(v) Integrated Services Master Agreement

On 29 August 2024, the Company entered into an integrated services master agreement (the "**Integrated Services Master Agreement**") with TEDA Holding in relation to the provision of certain services including construction and engineering services, property and facility management services, human resources related services, consultancy and advisory services and other services as required from time to time (the "**Integrated Services**") by members of the TEDA Holding Group to members of the Group for a term commencing from 1 September 2024 to 31 December 2024.

The price of the Integrated Services shall be determined with reference to the type, quantity, quality and specifications of Integrated Services and the pricing principles of the prevailing market price of the services of similar type and quality. The terms of the Integrated Services Transactions shall be on normal commercial terms and no less favourable to the Group than those offered by the TEDA Holding Group to independent third parties in similar transactions, and the price payable by the Group to the TEDA Holding Group shall be (i) determined in accordance with the prescribed price set by the PRC government, (ii) in the absence of a prescribed price set by the PRC government, determined with reference to and no higher than the guidance price set by the PRC government, or (iii) in the absence of a prescribed price and a guidance price by the PRC government, determined with reference to the prevailing market price.

CONNECTED TRANSACTIONS (Continued)

(v) Integrated Services Master Agreement (Continued)

For the period from 1 September 2024 to 31 December 2024, the total amount paid by the Group to the TEDA Holding Group under the Integrated Services Master Agreement was RMB13,266,000 (equivalent to HK$14,530,000), which is within the cap amount of RMB17,000,000 (equivalent to HK$18,620,000).

On 15 November 2024, the Company entered into a new integrated services master agreement with TEDA Holding to continue the transactions for a further term of three years commencing from 1 January 2025 to 31 December 2027.

(vi) Master Sales Agreement

On 17 November 2021, the Company entered into a master sales agreement (the “**Master Sales Agreement**”) with Tianjin Pharmaceutical in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products (the “**Products**”) by members of the Group to members of Tianjin Pharmaceutical and its subsidiaries (the “**Tianjin Pharmaceutical Group**”) for a term commencing from 1 January 2022 to 31 December 2024. The price of the Products shall be determined in accordance with the following principles:

(a) the members of the Group will sell the Products to members of the Tianjin Pharmaceutical Group in accordance with the following pricing policies which are equally applicable to independent third party customers:

   (i) the price (the “**Annual Price**”) of each of the Products will be determined on an annual basis with reference to the costs of production, past/projected profit margin (which may range from 5% to 90% depending on the product category), the market conditions (e.g. the market demand for such category of products and the availability of similar or comparable products in the market) and the price of similar products offered by independent third party suppliers in the same region;

   (ii) such Annual Price may be adjusted from time to time according to the market conditions (e.g. fluctuations in the costs of raw materials and changes in market demand) and shall be reviewed regularly; and

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

For the year ended 31 December 2024, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB54,306,000 (equivalent to HK$59,481,000), which is within the annual cap of RMB135,000,000 (equivalent to HK$147,864,000).

On 15 November 2024, the Company entered into a new master sales agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2025 to 31 December 2025.

CONNECTED TRANSACTIONS (Continued)

(vii) Entrusted Processing Master Agreement

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

(a) the members of the Group shall, in accordance with the following pricing policies which are equally applicable to both independent third-party customers, and with reference to other factors including market conditions and fees charged by independent third parties for the manufacturing and processing of similar drugs, charge the members of the Tianjin Pharmaceutical Group manufacturing and processing fees:

(i) for raw materials and packaging materials: the relevant procurement costs;

(ii) for production inputs other than raw materials and packaging materials and for work done including entrusted manufacturing and processing: total costs plus a profit margin of approximately 20% to 45%; and

(b) the members of the Group may, based on the production quantity and payment terms, offer to the members of the Tianjin Pharmaceutical Group the same discount which the Group would offer to its independent third party customers.

For the year ended 31 December 2024, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB14,974,000 (equivalent to HK$16,401,000), which is within the annual cap of RMB100,000,000 (equivalent to HK$109,529,000).

On 15 November 2024, the Company entered into a new entrusted processing master agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2025 to 31 December 2025.

CONNECTED TRANSACTIONS (Continued)

(viii) Master Purchase Agreement

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

(a) depending on the type of pharmaceutical product or raw material to be purchased under the individual contract, if governmental-prescribed price is applicable to such type of drug or raw material, such pharmaceutical product or raw material shall be supplied at the applicable governmental-prescribed price;

(b) if governmental-prescribed price is not available for the particular type of pharmaceutical product or raw material but a governmental-guided pricing standard is available, the price will fall within the range of the government-guided price; and

(c) where no pricing standard is available as aforesaid, the price shall be determined through arm's length basis by parties with reference to the then prevailing market price and taking into account the quantity and quality of the relevant pharmaceutical product or raw material, and the Group will evaluate the fairness and reasonableness of the price by obtaining at least two other quotations for the relevant pharmaceutical product or raw material with similar quality and quantity from independent third party suppliers.

For the year ended 31 December 2024, the total amount paid by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB2,038,000 (equivalent to HK$2,232,000), which is within the annual cap of RMB12,000,000 (equivalent to HK$13,143,000).

On 15 November 2024, the Company entered into a new pharmaceutical purchase master agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2025 to 31 December 2025.

Details of the above transactions were disclosed in the Company's announcements dated 17 November 2021, 11 November 2022, 29 August 2024 and 15 November 2024 and the circulars dated 3 December 2021, 30 November 2022 and 5 December 2024.

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

The independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions contemplated under the Water Transmission Pipelines Lease Master Agreement, the Heat and Power Networks and Facilities Lease Master Agreement, the Steam Purchase Master Agreement, the Products Procurement Master Agreement, the Integrated Services Master Agreement, the Master Sales Agreement, the Entrusted Processing Master Agreement and the Master Purchase Agreement as disclosed above have been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DISCLOSURE PURSUANT TO RULE 14.36B OF THE LISTING RULES

On 29 December 2023, Lisheng Pharmaceutical, entered into an equity acquisition agreement (the "**Agreement**") with Jiangxi Qingchun Kangyuan Group Co., Ltd. (江西青春康源集團有限公司), Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd. (江西青春康源中藥股份有限公司) (together the "**Vendors**"), Mr. Liu Musheng and Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司) ("**Qingchun Kangyuan**") in relation to the acquisition of 65% equity interest in Qingchun Kangyuan by Lisheng Pharmaceutical at a consideration of RMB136,991,855 (the "**Acquisition**"). The Acquisition was completed on 1 February 2024.

Pursuant to the Agreement, the Vendors, Mr. Liu Musheng and Qingchun Kangyuan (together the "**Guarantors**") guaranteed that during the financial years of 2023, 2024, 2025 and 2026 (the "**Performance Commitment Period**"), the audited consolidated net profit (after deduction of non-recurring profits and losses) of Qingchun Kangyuan in the financial year of 2023 shall be not less than RMB11,332,200. During the Performance Commitment Period, (i) the audited consolidated net profit (after deduction of non-recurring profits and losses) of Qingchun Kangyuan in any financial year shall not be lower than that in the preceding financial year and (ii) the average growth rate of the consolidated net profit (after deduction of non-recurring profits and losses) of Qingchun Kangyuan per annum shall not be lower than 10%, and accordingly, the consolidated net profit of Qingchun Kangyuan in the financial year of 2026 shall be not less than RMB14,731,860 (collectively, the "**Performance Guarantee**").

In the event that, based on the auditor's report of Qingchun Kangyuan in respect of any relevant year in or the whole period of the Performance Commitment Period (as the case may be, subject to scenarios (i) and (ii) in the Performance Guarantee), the audited consolidated net profit of Qingchun Kangyuan cannot reach the required level as stipulated under the Performance Guarantee, Lisheng Pharmaceutical is entitled to a compensation in the form of cash and the amount of which is determined according to the following formula (the "**Performance Compensation**"):

$$\text{Amount of Performance Compensation} = \text{Consideration} \times \frac{\text{Guaranteed consolidated net profit} - \text{audited consolidated net profit}}{\text{Guaranteed consolidated net profit}}$$

Details of the Acquisition were disclosed in the Company's announcements dated 14 December 2023 and 29 December 2023.

Based on the audited accounts for the financial years ended 31 December 2023 and 2024 of Qingchun Kangyuan which were issued on 23 August 2024 and 19 March 2025 respectively, the Performance Guarantee for the two financial years ended 31 December 2023 and 2024 have been fulfilled.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 15% of the total sales for the year.

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

– the largest supplier	34%
– five largest suppliers in aggregation	64%

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2024.

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 consolidated financial statements have been audited by Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

By Order of the Board

Teng Fei
Chairman and Executive Director

Hong Kong, 28 March 2025

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 79 to 183, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 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(a) 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 HKFRS Accounting Standards 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.

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Yim Ka Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	4	**3,359,416**	3,338,429
Cost of sales		**(2,372,308)**	(2,328,301)
Gross profit		**987,108**	1,010,128
Other income	5	**291,862**	289,785
Other gains and losses, net	6	**354,353**	271,209
Selling and distribution expenses		**(449,481)**	(371,997)
General and administrative expenses		**(428,524)**	(409,523)
Other operating expenses		**(167,810)**	(152,118)
Finance costs	7	**(120,730)**	(107,352)
Share of net profit of associates and joint venture accounted for using the equity method	16	**419,176**	552,389
Profit before tax		**885,954**	1,082,521
Tax expense	8	**(84,789)**	(99,984)
Profit for the year	9	**801,165**	982,537
Attributable to:			
Owners of the Company		**548,069**	635,634
Non-controlling interests		**253,096**	346,903
		801,165	982,537
		HK cents	HK cents
Earnings per share	12		
Basic		**51.09**	59.25
Diluted		**51.09**	59.25

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Profit for the year		**801,165**	982,537
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income	19	**(318,354)**	555,552
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		**46,298**	(83,462)
Share of other comprehensive income (expense) of investments accounted for using the equity method			
– fair value through other comprehensive income reserve, net of tax		**8,399**	(6,678)
Currency translation differences			
– the Group		**(244,149)**	(145,465)
– investments accounted for using the equity method		**(119,094)**	(85,736)
Other comprehensive (expense) income for the year		**(626,900)**	234,211
Total comprehensive income for the year		**174,265**	1,216,748
Attributable to:			
Owners of the Company		**226,410**	613,256
Non-controlling interests		**(52,145)**	603,492
		174,265	1,216,748

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2,125,789**	2,111,935
Land use rights	14	**474,088**	473,294
Investment properties	15	**190,205**	206,954
Investments accounted for using the equity method	16	**6,064,989**	6,826,722
Goodwill	17	**77,323**	–
Intangible assets	18	**47,121**	825
Financial assets at fair value through profit or loss	27	**32,159**	33,033
Finance lease receivables	20	**96,540**	15,068
Deposit paid for acquisition of a subsidiary		**–**	110,375
Deposits paid for acquisition of property, plant and equipment		**10,198**	47,831
Deferred tax assets	35	**78,412**	88,387
Equity instruments at fair value through other comprehensive income	19	**2,265,620**	1,719,518
Time deposits with maturity over three months	30	**238,734**	–
		11,701,178	11,633,942
Current assets			
Inventories	22	**304,722**	318,690
Amounts due from investments accounted for using the equity method	23	**16,086**	13,213
Amount due from ultimate holding company	23	**183**	305
Amounts due from related companies	24	**99,926**	88,039
Contract assets	25	**156,706**	107,092
Finance lease receivables	20	**14,910**	108,401
Trade receivables	26	**1,401,862**	1,390,103
Other receivables, deposits and prepayments	26	**426,410**	328,706
Financial assets at fair value through profit or loss	27	**653,229**	364,998
Structured deposits	28	**347,394**	154,919
Entrusted deposits	29	**1,036,909**	1,082,594
Restricted bank balances	30	**119,178**	216,868
Time deposits with maturity over three months	30	**2,379,043**	1,926,784
Cash and cash equivalents	30	**3,535,113**	4,461,089
		10,491,671	10,561,801
Asset classified as held for sale	19(iii)	**–**	96,936
		10,491,671	10,658,737
Total assets		**22,192,849**	22,292,679

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
EQUITY			
Owners of the Company			
Share capital	31	**5,136,285**	5,136,285
Reserves	32	**7,456,212**	7,398,506
		12,592,497	12,534,791
Non-controlling interests		**4,862,796**	4,978,137
Total equity		**17,455,293**	17,512,928
LIABILITIES			
Non-current liabilities			
Lease liabilities	39	**13,633**	5,019
Bank borrowings	34	**24,597**	1,710,630
Deferred tax liabilities	35	**205,253**	236,233
		243,483	1,951,882
Current liabilities			
Trade payables	36	**444,637**	518,398
Other payables and accruals	37	**1,174,570**	1,294,865
Amounts due to related companies	24	**141,058**	183,024
Contract liabilities	38	**670,645**	632,444
Lease liabilities	39	**10,499**	5,527
Bank borrowings	34	**1,965,216**	100,000
Current tax liabilities		**87,448**	93,611
		4,494,073	2,827,869
Total liabilities		**4,737,556**	4,779,751
Total equity and liabilities		**22,192,849**	22,292,679
Net current assets		**5,997,598**	7,830,868
Total assets less current liabilities		**17,698,776**	19,464,810

The consolidated financial statements on pages 79 to 183 were approved and authorised for issue by the board of directors of the Company on 28 March 2025 and are signed on its behalf by:

Teng Fei	**Zhai Xinxiang**
DIRECTOR	*DIRECTOR*

	Notes	Owners of the Company				Non-controlling interests HK$'000	Total HK$'000
		Share capital HK$'000	Other reserves HK$'000 (Note 32)	Retained earnings HK$'000	Sub-total HK$'000		
At 1 January 2023		5,136,285	(296,361)	7,176,062	12,015,986	4,413,294	16,429,280
Profit for the year		–	–	635,634	635,634	346,903	982,537
Other comprehensive (expense) income for the year		–	(22,378)	–	(22,378)	256,589	234,211
Total comprehensive (expense) income for the year		–	(22,378)	635,634	613,256	603,492	1,216,748
Dividends	11	–	–	(96,013)	(96,013)	(48,755)	(144,768)
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	33	–	–	–	–	6,908	6,908
Transfer between reserves		–	55,723	(55,723)	–	–	–
Others		–	1,562	–	1,562	3,198	4,760
		–	57,285	(151,736)	(94,451)	(38,649)	(133,100)
At 31 December 2023		5,136,285	(261,454)	7,659,960	12,534,791	4,978,137	17,512,928
Profit for the year		**–**	**–**	**548,069**	**548,069**	**253,096**	**801,165**
Other comprehensive expense for the year		**–**	**(321,659)**	**–**	**(321,659)**	**(305,241)**	**(626,900)**
Total comprehensive (expense) income for the year		**–**	**(321,659)**	**548,069**	**226,410**	**(52,145)**	**174,265**
Dividends	11	**–**	**–**	**(149,973)**	**(149,973)**	**(87,255)**	**(237,228)**
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	33	**–**	**–**	**–**	**–**	**6,252**	**6,252**
Transfer between reserves		**–**	**51,552**	**(51,552)**	**–**	**–**	**–**
Acquisition of a subsidiary	43	**–**	**–**	**–**	**–**	**38,735**	**38,735**
Dilution of equity interest of an associate		**–**	**(12,058)**	**–**	**(12,058)**	**(5,939)**	**(17,997)**
Repurchase of shares by a subsidiary		**–**	**(14,651)**	**–**	**(14,651)**	**(7,216)**	**(21,867)**
Disposal of equity instrument at fair value through other comprehensive income	19(iii)	**–**	**(4,108)**	**11,939**	**7,831**	**(7,831)**	**–**
Others		**–**	**147**	**–**	**147**	**58**	**205**
		–	**20,882**	**(189,586)**	**(168,704)**	**(63,196)**	**(231,900)**
At 31 December 2024		**5,136,285**	**(562,231)**	**8,018,443**	**12,592,497**	**4,862,796**	**17,455,293**

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	44	**(534,261)**	(83,955)
PRC income tax paid		**(68,886)**	(99,777)
Interest paid		**(120,058)**	(107,062)
NET CASH USED IN OPERATING ACTIVITIES		**(723,205)**	(290,794)
INVESTING ACTIVITIES			
Proceeds from redemption of structured deposits		**1,128,149**	–
Proceeds from redemption of entrusted deposits		**1,110,253**	1,700,792
Dividends received from associates and joint venture		**438,291**	376,864
Interest received		**201,169**	256,441
Proceed from disposal of an associate		**131,755**	–
Proceed from disposal of asset classified as held for sale		**96,193**	–
Release (additions) of restricted bank balances		**94,330**	(40,852)
Proceeds from disposal of property, plant and equipment		**76,185**	283,819
Net cash inflow on acquisition of a subsidiary	43	**26,205**	–
Dividend received from equity instruments at fair value through other comprehensive income		**10,722**	6,860
Proceeds from disposal of intangible assets		**9,300**	–
Additions of structured deposits		**(1,326,758)**	(155,952)
Additions of entrusted deposits		**(1,051,479)**	(1,666,667)
(Increase) decrease in time deposits with maturity over three months		**(721,839)**	539,094
Purchases of property, plant and equipment		**(180,547)**	(116,834)
Deposit paid for acquisition of property, plant and equipment		**(10,266)**	(48,150)
Purchase of equity instruments at fair value through other comprehensive income		**(3,742)**	–
(Advances to) repayment from investments accounted for using the equity method		**(3,203)**	19
Purchases of intangible assets		**(1,163)**	–
Deposit paid for acquisition of a subsidiary		**–**	(110,375)
NET CASH FROM INVESTING ACTIVITIES		**23,555**	1,025,059

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(251,690)**	(180,000)
Dividends paid	**(237,228)**	(144,768)
Payments on repurchase of shares of a subsidiary	**(21,867)**	–
Repayment of lease liabilities	**(10,343)**	(8,670)
Drawdown of bank borrowings	**375,353**	430,000
Amount received from restricted shares incentive scheme of a subsidiary	**–**	3,941
Capital contribution from non-controlling interests of a subsidiary	**–**	2,667
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(145,775)**	103,170
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(845,425)**	837,435
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,461,089**	3,661,450
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(80,551)**	(37,796)
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3,535,113**	4,461,089
Represented by:		
Cash and cash equivalents	**3,535,113**	4,461,089

1. GENERAL INFORMATION

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

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

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

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (the "**Companies Ordinance**").

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

Basis of preparation of consolidated financial statements (Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

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

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

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

Material accounting policy information

(a) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 4, 25 and 38.

(b) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(c) Group accounting

(i) Subsidiaries

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

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

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

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

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

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

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(i) Subsidiaries (Continued)

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

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

(ii) Associates and joint ventures

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

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

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.

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

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(ii) Associates and joint ventures (Continued)

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" ("**HKAS 36**") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When 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 "Financial Instruments" ("**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 of 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.

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

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

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(iii) Business combinations

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

Acquisitions of businesses 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 acquire 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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("**HKAS 37**") or HK(IFRIC)-Int 21 "Levies" ("**HK(IFRIC)-Int 21**"), in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

- Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

Material accounting policy information (Continued)

(c) Group accounting (Continued)

(iii) Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

(iv) 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 group of CGUs)to which goodwill has been allocated is tested for impairment before the end of that reporting period. If there coverable 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).

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

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

Material accounting policy information (Continued)

(d) Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

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

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

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

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

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(a) Amortised cost and interest income

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

(b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

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

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

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(c) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including amounts due from investments accounted for using the equity method, amount due from ultimate holding company, amounts due from related companies, finance lease receivables, trade and other receivables, restricted bank balances, time deposits with maturity over three months and bank balances) and other items (contract assets) subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

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

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

Generally, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 "Leases" ("**HKFRS 16**").

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

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

Material accounting policy information (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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

Material accounting policy information (Continued)

(e) Foreign currency translation

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

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

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

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

(f) Property, plant and equipment

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

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, including cost of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Material accounting policy information (Continued)

(f) Property, plant and equipment (Continued)

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

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

(g) Land use rights

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and building elements in proportion to the relative fair values at initial recognition.

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

(h) Investment properties

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

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

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

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

Material accounting policy information (Continued)

(i) Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

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

Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

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

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

Material accounting policy information (Continued)

(i) Leases (Continued)

As a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

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

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

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

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

Material accounting policy information (Continued)

(i) Leases (Continued)

As a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

Refundable rental deposits

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

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

Material accounting policy information (Continued)

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

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

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

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

Material accounting policy information (Continued)

(k) Cash and cash equivalents

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

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

(l) Inventories

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

(m) Employee benefits

(i) Retirement benefit costs

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

(ii) Short-term employee benefits

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

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

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

Material accounting policy information (Continued)

(m) Employee benefits (Continued)

(iii) Restricted shares incentive scheme

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

The cost of acquisition of shares of Tianjin Lisheng Pharmaceutical Co., Ltd.（天津力生製藥股份有限公司）, an indirect non-wholly owned subsidiary listed on the Shenzhen Stock Exchange ("**Lisheng Pharmaceutical**"), which held for the restricted shares incentive scheme is recorded as Lisheng Pharmaceutical's treasury shares and is recoded as non-controlling interests of the Group. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve of Lisheng Pharmaceutical and non-controlling interest of the Group). At the time when the shares are vested, the amount previously recognised in share-based payment reserve and the amount of the relevant treasury shares will be transferred to share capital/share premium of Lisheng Pharmaceutical.

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

(n) Non-current assets held for sale

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

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

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

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

Material accounting policy information (Continued)

(o) Current and deferred income tax

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits.

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

Material accounting policy information (Continued)

(p) Borrowing costs

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

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

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

(q) Provisions

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

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

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

(r) Contingent liabilities

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

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

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

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

Material accounting policy information (Continued)

(s) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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

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

Critical judgements in applying accounting policies

Reclassification of Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) ("Research Institute") from interest in an associate to an equity instrument at FVTOCI due to loss of significant influence

Following the completion of unilateral capital injection by one of the equity holders of Research Institute on 25 December 2024, the equity interests of such equity holder and the Group in Research Institute increased to and reduced to approximately 65.95% and 31.05%, respectively, and its articles of association has also been amended on the same date. Whilst the Group retains representation of board and shareholders' meetings of Research Institute, the directors of the Company consider that the amended articles of association confers the aforesaid equity holder unilateral power to pre-determine the major operational and financial policies of the Research Institute and, therefore, the Group has lost significant influence over Research Institute upon the completion of unilateral capital injection by such equity holder and amendments to the articles of association of Research Institute on 25 December 2024. Since the Group's equity interest in Research Institute has been hold other than its trading portfolio with high-likelihood of sale, the Group considered that it is appropriate to reclassify and designate it, as permitted under HKFRS 9, as an equity instrument at FVTOCI at initial recognition, when the Group ceased significant influence over Research Institute. Details of which are set out in Note 16.

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty

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

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

As at 31 December 2024, the carrying value of the Group's interest in Tianjin Port exceeded the market value (based on bid price quoted in an active market at 31 December 2024) of the Group's attributable holding therein by approximately HK$2,888,595,000 (2023: approximately HK$3,085,052,000). The carrying value of the Group's interest in Tianjin Port is approximately HK$3,716,230,000, net of impairment loss of HK$300,000,000 (2023: approximately HK$3,686,381,000, net of impairment loss of HK$300,000,000). Management has assessed the value in use of the Group's interest in Tianjin Port based on discounted cash flows. This assessment involves significant assumptions including discount rates, dividend growth rate and expected dividend income. When the value in use is less than expected, a further impairment loss would arise. Further details are set out in Note 21(a).

(b) Recognition of government supplemental income

The Group's heat entity in utilities business receives government supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area (the "**TEDA Finance Bureau**") on an annual basis whereby the amount of such income will only be finalised after the end of the financial year. For the purpose of these consolidated financial statements, the Group, after discussion with the TEDA Finance Bureau, has recognised an amount of such government supplemental income for the year ended 31 December 2024 (Note 4(i)) based on a notice issued by the relevant government authority of TEDA and certain operating data of the heat entity for the year ended 31 December 2024. While the directors of the Company are of the opinion that the government supplemental income for the year ended 31 December 2024 is reasonable and represents the best estimate of the Group's entitlement after taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

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

The impairment assessments had been carried out for the non-current assets of the electrical and mechanical segment as at 31 December 2024. Determining whether the carrying amounts of the non-current assets (including the property, plant and equipment and land use rights) (where there are indicators of impairment) are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. The estimated recoverable amount of the non-current assets of the electrical and mechanical segment is measured at fair value less cost of disposal and assessed if any impairment would arise. Where the fair value less cost of disposal is less than expected, a material impairment loss may arise. Further details are set out in Note 21(b).

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

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

The Group uses provision matrix to calculate ECL for trade receivables (excluding those backed by notes) and contract assets collectively. The provision rates are based on comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates that is reasonable and supportable without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables (excluding those backed by notes) and contract assets are disclosed in Notes 25, 26 and 45.

(e) Fair value measurements and valuation processes

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK$1,289,494,000 as at 31 December 2024 (2023: HK$1,619,566,000) are measured at fair values which are determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Besides, some of the Group's other assets are also measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are disclosed in Note 45.

(f) Machinery construction contracts

The Group recognises revenue from manufacture and sales of hydroelectric equipment and large scale pump units according to the management's estimation of the final outcome of the projects as well as the progress of work. Notwithstanding that the management closely reviews and revises the estimates of both contract revenue and costs for the machinery construction contracts according to the contract progress, the actual outcome of the contracts in terms of their total revenue and/or costs may be higher or lower than the estimates and this will affect the amount of revenue and profit recognised in subsequent periods. During both years, the construction contract cost estimated adjustments which were charged to profit or loss for the corresponding year are not material.

(g) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2024 and 2023 at their fair values, details of which are disclosed in Note 15. The fair values of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents, may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amounts of these properties included in the consolidated statement of financial position.

4. SEGMENT INFORMATION

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

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

(a) Utilities

This segment derives revenue from distribution of water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area, the PRC, while the result of electricity business of this segment is contributed by Tianjin TEDA Electric Power Co., Ltd.(天津泰達電力有限公司)("**TEDA Power**"), an investment accounted for using the equity method of the Group.

(b) Pharmaceutical

This segment derives revenue from manufacture and sales of chemical drugs, proprietary Chinese medicines and other healthcare 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, an investment accounted for using the equity method of the Group and subsequently recognised as an equity instrument at FVTOCI.

(c) Hotel

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

(d) Electrical and mechanical

This segment derives revenue from manufacture and sales of hydroelectric equipment and large scale pump units.

(e) Port services

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

(f) Elevators and escalators

The result of this segment is contributed by an investment accounted for using the equity method of the Group, Otis Elevator (China) Investment Company Limited(奧的斯電梯(中國)投資有限公司)("**Otis China**"), which manufactures and sells elevators and escalators.

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2024

Segments	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Total HK$'000
Types of goods or services					
Utilities					
Water	304,294	–	–	–	304,294
Heat and thermal power	1,139,455	–	–	–	1,139,455
	1,443,749	–	–	–	1,443,749
Pharmaceutical					
Manufacture and sales of chemical drugs, proprietary Chinese medicines and other healthcare products	–	1,454,862	–	–	1,454,862
Design, manufacture and printing for pharmaceutical packaging	–	154,789	–	–	154,789
	–	1,609,651	–	–	1,609,651
Hotel	–	–	134,226	–	134,226
Electrical and mechanical					
Manufacture and sales of hydroelectric equipment and large scale pump units	–	–	–	171,790	171,790
	1,443,749	1,609,651	134,226	171,790	3,359,416
Timing of revenue recognition					
A point in time	1,443,749	1,609,651	–	–	3,053,400
Over time	–	–	134,226	171,790	306,016
	1,443,749	1,609,651	134,226	171,790	3,359,416

4. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2023

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

4. SEGMENT INFORMATION (Continued)

Performance obligations for contracts with customers and revenue recognition policies

The Group recognises revenue from the following major sources:

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

- Revenue from manufacture and sales of chemical drugs, proprietary Chinese medicines, other healthcare products and pharmaceutical packaging products are recognised at a point in time when the control of the goods has been transferred upon delivery.

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

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2024

	Utilities HK$'000 (note (i))	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total operating segments HK$'000
Segment revenue							
– external customers	1,443,749	1,609,651	134,226	171,790	–	–	3,359,416
Operating profit (loss) before interest	30,579	491,053	27,301	(128,171)	–	–	420,762
Interest income	24,029	67,617	97	446	–	–	92,189
Finance costs	–	(7,145)	–	–	–	–	(7,145)
Share of net profit (loss) of associates and joint venture accounted for using the equity method	57,486	(62,004)	–	–	144,183	279,511	419,176
Profit (loss) before tax	112,094	489,521	27,398	(127,725)	144,183	279,511	924,982
Tax (expense) credit	(12,634)	(46,174)	(9,308)	1,071	–	–	(67,045)
Segment results							
– profit (loss) for the year	99,460	443,347	18,090	(126,654)	144,183	279,511	857,937
Non-controlling interests	(4,235)	(205,912)	–	21,861	–	(48,244)	(236,530)
Profit (loss) attributable to owners of the Company	95,225	237,435	18,090	(104,793)	144,183	231,267	621,407
Segment results							
– profit (loss) for the year includes:							
Depreciation and amortisation	56,362	74,711	13,680	23,238	–	–	167,991

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2023

	Utilities HK$'000 (note (i))	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total operating segments HK$'000
Segment revenue							
– external customers	1,599,849	1,441,437	130,378	166,765	–	–	3,338,429
Operating profit (loss) before interest	31,204	422,471	21,983	(37,353)	–	–	438,305
Interest income	37,484	72,437	84	750	–	–	110,755
Finance costs	–	(290)	–	–	–	–	(290)
Share of net profit (loss) of associates and joint venture accounted for using the equity method	63,025	(57,026)	–	–	153,276	393,114	552,389
Profit (loss) before tax	131,713	437,592	22,067	(36,603)	153,276	393,114	1,101,159
Tax (expense) credit	(16,802)	(67,485)	(4,267)	1,080	–	–	(87,474)
Segment results							
– profit (loss) for the year	114,911	370,107	17,800	(35,523)	153,276	393,114	1,013,685
Non-controlling interests	(4,532)	(264,003)	–	6,130	–	(67,851)	(330,256)
Profit (loss) attributable to owners of the Company	110,379	106,104	17,800	(29,393)	153,276	325,263	683,429
Segment results							
– profit (loss) for the year includes:							
Depreciation and amortisation	63,822	81,446	14,033	24,482	–	–	183,783

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	2024 HK$'000	2023 HK$'000
Reconciliation of profit for the year		
Total reportable segments	**857,937**	1,013,685
Corporate and others (note (ii))	**(56,772)**	(31,148)
Profit for the year	**801,165**	982,537

notes:

(i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK$304,294,000 and HK$1,139,455,000, respectively (2023: HK$311,338,000 and HK$1,288,511,000, respectively).

The above revenue included government supplemental income of HK$191,596,000 (2023: HK$395,472,000).

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

Segment assets and liabilities

	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others HK$'000 (note)	Total HK$'000
As at 31 December 2024									
Segment assets	**3,982,741**	**7,994,444**	**472,001**	**517,593**	**3,716,230**	**928,920**	**17,611,929**	**4,580,920**	**22,192,849**
Segment liabilities	**1,197,032**	**1,136,822**	**13,078**	**769,450**	**-**	**-**	**3,116,382**	**1,621,174**	**4,737,556**

	Utilities HK$'000	Pharmaceutical HK$'000	Hotel HK$'000	Electrical and mechanical HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total reportable segments HK$'000	Corporate and others HK$'000 (note)	Total HK$'000
As at 31 December 2023									
Segment assets	4,113,689	7,910,671	489,396	601,722	3,686,381	1,016,817	17,818,676	4,474,003	22,292,679
Segment liabilities	1,307,496	1,027,404	17,768	682,618	-	-	3,035,286	1,744,465	4,779,751

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

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:

	2024 HK$'000	2023 HK$'000
The PRC	**3,225,190**	3,208,051
Hong Kong	**134,226**	130,378
	3,359,416	3,338,429

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

	2024 HK$'000	2023 HK$'000
The PRC	**8,595,713**	9,377,578
Hong Kong	**394,000**	400,358
	8,989,713	9,777,936

5. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Interest income	**237,322**	255,332
Government grants	**11,577**	7,384
Dividend income from equity instruments at FVTOCI	**10,722**	6,860
Rental income, net of negligible outgoings	**4,036**	6,252
Sales of scrap materials	**869**	1,461
Finance lease interest income	**5,613**	6,177
Sundries	**21,723**	6,319
	291,862	289,785

6. OTHER GAINS AND LOSSES, NET

	2024 HK$'000	2023 HK$'000
Net gains on disposal/written off of property, plant and equipment (note (i))	**164**	249,703
Gain arising from dilution of equity interest of an associate (Note 16)	**350,233**	–
Gain on disposal of an associate (Note 16)	**78,138**	–
Net exchange losses	**(8,139)**	(17,778)
(Allowance for) reversal of impairment losses (note (ii)):		
– trade receivables	**(55,342)**	23,683
– contract assets	**(4,431)**	7,561
– other receivables	**1,501**	916
– finance lease receivables	**1,468**	(1,966)
Decrease in fair value of investment properties (Note 15)	**(12,453)**	(8,556)
Net fair value gains (losses) on financial assets held for trading		
– listed	**1,738**	(61)
– unlisted	**1,476**	17,707
	354,353	271,209

notes:

(i) For the year ended 31 December 2023, amount included an one-off gain of approximately RMB238,597,000 (equivalent to approximately HK$265,108,000) regarding the resumption of the parcels of land and building for industrial use located in Tianjin (2024: nil).

(ii) Details of impairment assessment for the years ended 31 December 2024 and 2023 are set out in Note 45(b).

7. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest expenses on bank borrowings	**120,058**	107,062
Interest on lease liabilities	**672**	290
	120,730	107,352

8. TAX EXPENSE

	2024 **HK$'000**	2023 HK$'000
Current taxation		
PRC Enterprise Income Tax ("**EIT**")	**66,984**	111,623
(Over) underprovision in prior years	**(4,857)**	132
Deferred taxation (Note 35)	**22,662**	(11,771)
	84,789	99,984

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

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

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

	2024 **HK$'000**	2023 HK$'000
Profit before tax	**885,954**	1,082,521
Less: share of net profit of associates and joint venture accounted for using the equity method	**(419,176)**	(552,389)
	466,778	530,132
Calculated at applicable tax rates	**112,145**	111,821
Income not subject to taxation	**(70,643)**	(57,853)
Expenses not deductible for taxation purposes	**30,432**	38,662
(Over) underprovision in prior years	**(4,857)**	132
Tax losses not recognised	**17,712**	7,222
Tax expense	**84,789**	99,984

9. PROFIT FOR THE YEAR

	2024 HK$'000	2023 HK$'000
Profit for the year is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 10)	**693,544**	525,412
Cost of inventories recognised as an expense	**1,762,580**	1,772,967
Depreciation		
– charged to cost of sales	**111,879**	124,267
– charged to administrative expenses	**56,679**	61,926
– charged to selling expenses	**380**	460
– charged to other operating expenses	**7,051**	11,035
Depreciation of land use rights	**5,578**	5,838
Amortisation of intangible assets	**4,929**	243
Short-term lease expenses on		
– plants, pipelines and networks	**21,576**	24,145
– land and buildings	**4,158**	3,464
Auditor's remuneration		
– audit services	**8,874**	8,015
– non-audit services	**2,505**	2,693
Research and development costs charged to other operating expenses	**167,796**	144,691

10. EMPLOYEES' BENEFITS EXPENSE

	2024 HK$'000	2023 HK$'000
Wages, salaries, bonus and social security costs	**693,544**	525,412

The total expense recognised in profit or loss of HK$162,284,000 (2023: HK$138,170,000) represents contributions payable to retirement benefits schemes by the Group at rates specified in the rules of the schemes.

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

(a) Emoluments of directors and chief executive

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

For the year ended 31 December 2024

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:						
Teng Fei [ii]	–	–	–	–	–	–
Zhai Xinxiang	–	539	206	–	–	745
Xia Binhui [ii] [iii]	–	–	–	–	–	–
Wang Gang [ii] [vi]	–	–	–	–	–	–
Non-Executive Director:						
Sun Lijun [ii]	–	–	–	–	–	–
Independent Non-Executive Directors:						
Ng Yi Kum, Estella	382	60	–	–	–	442
Wong Shiu Hoi, Peter	382	60	–	–	–	442
Lau Ka Keung	382	60	–	–	–	442
Sin Hendrick	382	60	–	–	–	442
	1,528	779	206	–	–	2,513

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

For the year ended 31 December 2023

Name of director	Fees HK$'000	Salaries and other benefits[i] HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payment expense HK$'000	Total HK$'000
Executive Directors:						
Teng Fei [ii] [iv]	–	–	–	–	–	–
Zhai Xinxiang [v]	–	239	–	–	–	239
Wang Gang [ii]	–	–	–	–	–	–
Li Xiaoguang [viii]	–	388	528	–	–	916
Zhuang Qifei [ii] [vii]	–	–	–	–	–	–
Non-Executive Directors:						
Sun Lijun [ii] [iv]	–	–	–	–	–	–
Cheung Wing Yui, Edward [ix]	151	28	–	–	–	179
Cui Xiaofei [ii] [vii]	–	–	–	–	–	–
Independent Non-Executive Directors:						
Ng Yi Kum, Estella	382	60	–	–	–	442
Wong Shiu Hoi, Peter	382	60	–	–	–	442
Lau Ka Keung [iv]	288	46	–	–	–	334
Sin Hendrick [iv]	288	46	–	–	–	334
Cheng Hon Kwan [ix]	181	28	–	–	–	209
Mak Kwai Wing, Alexander [ix]	181	28	–	–	–	209
Loke Yu [ix]	181	28	–	–	–	209
	2,034	951	528	–	–	3,513

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

(ii) During the years ended 31 December 2024 and 2023, the director's emoluments were borne by respective intermediate shareholders.

(iii) Appointed on 30 December 2024.

(iv) Appointed on 30 March 2023.

(v) Appointed on 29 September 2023.

(vi) Resigned on 27 March 2024.

(vii) Resigned on 30 March 2023.

(viii) Resigned on 29 September 2023.

(ix) Retired on 21 June 2023.

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

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

(xii) 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 2024 and 2023.

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

10. EMPLOYEES' BENEFITS EXPENSE (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group include one director (2023: one director), and his emolument is shown in Note 10(a) above. The emoluments of the remaining four (2023: four) individuals with the highest emoluments were as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other benefits	**3,664**	3,508
Discretionary bonuses	**598**	791
Retirement benefits scheme contributions	**54**	72
	4,316	4,371

The emoluments of the four (2023: four) highest paid individuals who are not the directors of the Company fell within the following bands:

	2024	2023
Emolument bands (HK$)		
500,000 – 1,000,000	**2**	2
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**1**	1
	4	4

(c) Emoluments of senior management

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

	2024 **HK$'000**	2023 HK$'000
Salaries and other benefits	**2,274**	2,274
Discretionary bonuses	**484**	524
Retirement benefits scheme contributions	**36**	36
	2,794	2,834

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

	2024	2023
Emolument bands (HK$)		
1,000,001 – 2,000,000	**2**	2

11. DIVIDENDS

	2024 **HK$'000**	2023 HK$'000
Dividends recognised as distribution during the year		
– 2024 interim dividend, paid – HK5.18 cents per ordinary share (2023: HK3.45 cents per ordinary share)	**55,569**	37,011
– 2023 final dividend, paid – HK8.80 cents per ordinary share (2022: HK5.50 cents per ordinary share)	**94,404**	59,002
	149,973	96,013

A final dividend of HK8.82 cents (2023: HK8.80 cents) per ordinary share for the year ended 31 December 2024, amounting to approximately HK$94,618,000 (2023: HK$94,404,000), has been proposed by the board of directors of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

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

Earnings	**2024** **HK$'000**	2023 HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**548,069**	635,634

Number of shares	**2024** **Thousand**	2023 Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,072,770**	1,072,770

The computation of the above diluted earnings per share does not assume the issuance of unvested restricted shares granted by Lisheng Pharmaceutical since it would result in an increase in earnings per share for both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leased properties HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
COST								
At 1 January 2024	**2,369,060**	**54,303**	**2,140,935**	**158,184**	**16,498**	**69,802**	**13,660**	**4,822,442**
Exchange differences	**(46,398)**	**(429)**	**(46,366)**	**(2,986)**	**(292)**	**(1,364)**	**(359)**	**(98,194)**
Acquisition of a subsidiary (Note 43)	**41,375**	**–**	**16,668**	**–**	**–**	**–**	**38**	**58,081**
Additions	**15**	**23,508**	**106,858**	**35,676**	**526**	**80,422**	**4,514**	**251,519**
Transfers	**4,206**	**–**	**11,319**	**–**	**–**	**(15,525)**	**–**	**–**
Disposals/write off	**(17)**	**–**	**(7,434)**	**(1,795)**	**(1,272)**	**(75,076)**	**(74)**	**(85,668)**
At 31 December 2024	**2,368,241**	**77,382**	**2,221,980**	**189,079**	**15,460**	**58,259**	**17,779**	**4,948,180**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2024	**944,544**	**42,930**	**1,549,818**	**127,030**	**12,678**	**22,858**	**10,649**	**2,710,507**
Exchange differences	**(18,041)**	**(168)**	**(33,201)**	**(2,079)**	**(207)**	**(494)**	**(268)**	**(54,458)**
Charge for the year	**65,296**	**10,077**	**84,560**	**13,103**	**151**	**–**	**2,802**	**175,989**
Disposals/write off	**–**	**–**	**(6,745)**	**(1,693)**	**(1,209)**	**–**	**–**	**(9,647)**
At 31 December 2024	**991,799**	**52,839**	**1,594,432**	**136,361**	**11,413**	**22,364**	**13,183**	**2,822,391**
CARRYING VALUE								
At 31 December 2024	**1,376,442**	**24,543**	**627,548**	**52,718**	**4,047**	**35,895**	**4,596**	**2,125,789**
COST								
At 1 January 2023	2,397,740	54,026	2,172,537	169,290	17,557	40,474	13,177	4,864,801
Exchange differences	(30,620)	(177)	(48,721)	(2,386)	(211)	(780)	(240)	(83,135)
Additions	31,353	454	23,841	4,622	30	58,625	915	119,840
Transfers	14,412	–	14,105	–	–	(28,517)	–	–
Disposals/write off	(43,825)	–	(20,827)	(13,342)	(878)	–	(192)	(79,064)
At 31 December 2023	2,369,060	54,303	2,140,935	158,184	16,498	69,802	13,660	4,822,442
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2023	908,090	35,824	1,473,911	137,443	12,986	23,190	8,778	2,600,222
Exchange differences	(11,312)	(70)	(20,947)	(1,424)	(151)	(332)	(139)	(34,375)
Charge for the year	75,596	7,176	108,424	4,255	209	–	2,028	197,688
Disposals/write off	(27,830)	–	(11,570)	(13,244)	(366)	–	(18)	(53,028)
At 31 December 2023	944,544	42,930	1,549,818	127,030	12,678	22,858	10,649	2,710,507
CARRYING VALUE								
At 31 December 2023	1,424,516	11,373	591,117	31,154	3,820	46,944	3,011	2,111,935

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

notes:

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

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

(b) The Group as lessee

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

	Leased properties HK$'000
As at 31 December 2024	
Carrying amount	**24,543**
As at 31 December 2023	
Carrying amount	11,373
For the year ended 31 December 2024	
Depreciation charged	**10,077**
For the year ended 31 December 2023	
Depreciation charged	7,176

	2024 HK$'000	2023 HK$'000
Total cash outflows for leases	**36,077**	36,279
Additions to right-of-use-assets	**23,508**	454

For both years, the Group leases various offices and warehouses for its operations in Hong Kong and the PRC. Lease contracts are entered into for fixed term of 2 to 10 years (2023: 2 to 10 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2024, included in the leased properties of property, plant and equipment are (i) offices of HK$10,128,000 (2023: HK$4,271,000); and (ii) warehouses of HK$14,415,000 (2023: HK$7,102,000).

In addition, lease liabilities of HK$23,508,000 (2023: HK$454,000) are recognised with related right-of-use assets of HK$23,508,000 (2023: HK$454,000) during the year ended 31 December 2024.

As at 31 December 2024, the carrying amount of right-of-use assets and lease liabilities were HK$24,543,000 (2023: HK$11,373,000) and HK$24,132,000 (2023: HK$10,546,000), 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.

14. LAND USE RIGHTS

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

The Group as lessee

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

	Leasehold land HK$'000	Land use rights HK$'000	Total HK$'000
As at 31 December 2024			
Carrying amount	**260,132**	**213,956**	**474,088**
As at 31 December 2023			
Carrying amount	260,429	212,865	473,294
For the year ended 31 December 2024			
Depreciation charged	**297**	**5,281**	**5,578**
For the year ended 31 December 2023			
Depreciation charged	297	5,541	5,838

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2023	218,589
Decrease in fair value recognised in profit or loss (Note 6)	(8,556)
Exchange differences	(3,079)
At 31 December 2023	**206,954**
Decrease in fair value recognised in profit or loss (Note 6)	**(12,453)**
Exchange differences	**(4,296)**
At 31 December 2024	**190,205**

15. INVESTMENT PROPERTIES (Continued)

notes:

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

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

(c) The fair values as at 31 December 2024 have been arrived at based on a valuation carried out by HG Appraisal & Consulting Limited (2023: Vigers Appraisal and Consulting Limited), an independent professional valuer not connected with the Group. The valuation was determined either on the basis of capitalisation of net rental income derived from existing tenancies or by reference to comparable market transactions. There has been no change from the valuation technique used in the prior year.

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

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

Description	Fair value hierarchy	Fair value at 31 December 2024 HK$'000	Fair value at 31 December 2023 HK$'000	Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
Property 1 in Tianjin	Level 3	**86,933**	94,150	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	4.5% – 5%; 331.07 and 6,320 (2023: 5% – 5.5%; 331.07 and 7,173)	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	**51,339**	57,175	Market comparable approach	Selling price per square meter in RMB	4,360 – 5,780 (2023: 5,455 – 6,000)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin	Level 3	**51,933**	55,629	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	5% – 5.5%; 245.23 and 2,620 (2023: 5% – 5.5%; 246.98 and 3,396)	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
		190,205	206,954				

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2024 **HK$'000**	2023 HK$'000
The Group's interests in associates and joint venture		
– Listed shares in Hong Kong		
– Tianjin Port	**3,716,230**	3,686,381
– Unlisted shares in the PRC		
– Otis China	**928,920**	1,016,817
– Research Institute	**–**	643,059
– TEDA Power	**1,419,839**	1,393,252
– Others	**–**	87,213
	6,064,989	6,826,722
Market value of listed shares		
– Tianjin Port	**827,635**	601,329

Share of associates' and joint venture's taxation for the year ended 31 December 2024 of HK$182,627,000 (2023: HK$163,941,000) is included in the consolidated statement of profit or loss as share of net profit of associates and joint venture accounted for using the equity method. Impairment loss of approximately HK$300,000,000 was recognised on an investment accounted for using the equity method – Tianjin Port in prior years. Particulars regarding impairment testing on an investment accounted for using the equity method is disclosed in Note 21(a).

During the year ended 31 December 2024, the Group disposed of its 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd.（天津田邊製藥有限公司）at a consideration of RMB120,292,000 (equivalent to approximately HK$131,755,000). Accordingly, a gain on disposal of an associate of RMB71,340,000 (equivalent to approximately HK$78,138,000) has been recognised in the consolidated statement of profit or loss.

In prior year, the Group held 35% equity interest in Research Institute which has been accounted for interest in an associate. On 25 December 2024, one of the equity holders of Research Institute, an independent third party of the Group, completed an unilateral capital injection of RMB300,000,000 into Research Institute resulting a dilution of the Group's equity interest in it to 31.05%. Since then, the Group lost its significant influence over Research Institute and has accounted for the remaining 31.05% equity interest in Research Institute as equity instrument at FVTOCI (see Note 3 for detail), whose fair value at the date of dilution of RMB825,897,000 was determined based on the transaction price by reference to the unilateral capital injection by the aforesaid equity holder on 25 December 2024. The difference between the carrying amount of Research Institute of RMB506,134,000 and the fair value retained resulted in the recognition of a gain arising from dilution of equity interest in Research Institute of RMB319,763,000 (equivalent to approximately HK$350,233,000) in the consolidated statement of profit or loss.

Details of principal associates which in the opinion of the directors of the Company materially affect the results and/or net assets of the Group as at 31 December 2024 are set out in Note 49.

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

Summarised financial information of material associates

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

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

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000
Current assets	**9,336,375**	8,795,032	**13,154,966**	15,284,285	**–**	872,699	**2,396,061**	2,517,995
Non-current assets	**31,271,086**	31,826,980	**4,171,200**	3,840,769	**–**	2,355,101	**1,758,359**	1,592,151
Current liabilities	**(6,035,896)**	(5,587,501)	**(12,341,275)**	(13,828,290)	**–**	(545,033)	**(830,791)**	(892,013)
Non-current liabilities	**(3,936,230)**	(4,748,626)	**(20,712)**	(21,339)	**–**	(666,768)	**(354,117)**	(294,046)

	Tianjin Port		Otis China		Research Institute		TEDA Power	
	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000	**Year ended 31 December 2024 HK$'000**	Year ended 31 December 2023 HK$'000	**Year ended 31 December 2024 HK$'000**	Year ended 31 December 2023 HK$'000	**Year ended 31 December 2024 HK$'000**	Year ended 31 December 2023 HK$'000
Revenue	**13,712,027**	13,479,771	**18,631,843**	20,629,355	**391,844**	547,136	**2,399,416**	2,504,462
Profit (loss) for the year, attributable to owners of the associate	**686,588**	729,884	**1,397,556**	1,965,568	**(213,589)**	(198,943)	**122,078**	133,840
Other comprehensive (expense) income for the year, attributable to owners of the associate	**(255,205)**	(224,313)	**(75,189)**	(73,201)	**259,435**	6,217	**(76,653)**	(46,942)
Total comprehensive income (expenses)for the year, attributable to owners of the associate	**431,383**	505,571	**1,322,367**	1,892,367	**45,846**	(192,726)	**45,425**	86,898
Dividends received from associates during the year	**61,160**	28,964	**346,385**	341,911	**–**	–	**–**	–

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

Summarised financial information of material associates (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 2024 HK$'000	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000
Equity attributable to owners of the associate	**13,752,250**	13,612,105	**4,655,738**	5,065,296	**–**	1,879,611	**2,969,512**	2,924,087
Proportion of the Group's ownership interest in the associate	**2,887,973**	2,858,542	**931,148**	1,013,059	**–**	657,864	**1,398,343**	1,376,953
Goodwill	**820,729**	820,729	**–**	–	**–**	–	**–**	–
Other adjustments	**7,528**	7,110	**(2,228)**	3,758	**–**	(14,805)	**21,496**	16,299
Carrying amount of the Group's interest in the associate	**3,716,230**	3,686,381	**928,920**	1,016,817	**–**	643,059	**1,419,839**	1,393,252

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

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
The Group's share of profit	**4,314**	12,605
The Group's share of other comprehensive expenses	**(670)**	(1,219)
The Group's share of total comprehensive income	**3,644**	11,386
Aggregate carrying amount of the Group's interests in these investments	**–**	87,213
Dividends received from associates and joint venture	**30,746**	5,989

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

Aggregate information of associates and joint venture 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. The amounts of cumulative unrecognised share of losses for the year is as follow:

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
The unrecognised owner's share of loss of an investment accounted for using the equity method	**(7,563)**	(8,643)
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	**(21,201)**	(13,638)

17. GOODWILL

	HK$'000
At 1 January 2023 and 31 December 2023	**–**
Arising on acquisition of a subsidiary (Note 43)	**78,769**
Exchange difference	**(1,446)**
At 31 December 2024	**77,323**

Particulars regarding impairment testing on goodwill are disclosed in note 21(c).

18. INTANGIBLE ASSETS

	Patents HK$'000 (note)
COST	
At 1 January 2023	101,590
Exchange differences	(1,458)
At 31 December 2023	**100,132**
Additions	**1,163**
Acquired on acquisition of a subsidiary (Note 43)	**60,304**
Disposal	**(9,300)**
Exchange differences	**(3,156)**
At 31 December 2024	**149,143**
AMORTISATION AND IMPAIRMENT	
At 1 January 2023	100,509
Exchange differences	(1,445)
Charge for the year	243
At 31 December 2023	**99,307**
Exchange differences	**(2,214)**
Charge for the year	**4,929**
At 31 December 2024	**102,022**
CARRYING VALUE	
At 31 December 2024	**47,121**
At 31 December 2023	825

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

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

Patents	10 to 20 years

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

	notes	**2024** **HK$'000**	2023 HK$'000
Equity securities			
Listed, at market value	(i)	**84,228**	99,952
Unlisted	(ii)	**2,181,392**	1,619,566
		2,265,620	1,719,518

	HK$'000
At 1 January 2023	1,281,781
Exchange differences	(20,879)
Change in fair value	555,552
Classified as asset held for sale (note (iii))	(96,936)
At 31 December 2023	**1,719,518**
Exchange differences	**(43,884)**
Additions (Note 16)	**908,340**
Change in fair value	**(318,354)**
At 31 December 2024	**2,265,620**

notes:

(i) The listed securities mainly represent the Group's 4.20% (2023: 4.07%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2024, the market value of the Group's equity interest in Binhai Investment was HK$66,770,000 (2023: HK$79,331,000) and the unrealised fair value loss of HK$12,561,000 (2023: HK$7,162,000) was recognised in other comprehensive income.

(ii) The unlisted equity securities mainly represented the Group's 12.15% (2023: 12.15%) equity interest in Tasly Bio-Medicine Industry Group Co., Ltd. (天士力生物醫藥產業集團有限公司) (formerly known as Tasly Holding Group Co., Ltd. (天士力控股集團有限公司)) ("**Tasly Group**") and 31.05% equity interest in Research Institute. Tasly Group is a conglomerate in the PRC and is mainly holding Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical products in the PRC.

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

(iii) During the year ended 31 December 2023, Lisheng Pharmaceutical entered into an equity transfer agreement with Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) ("**Tianjin Pharmaceutical Da Ren Tang**"), pursuant to which, Lisheng Pharmaceutical agreed to sell and Tianjin Pharmaceutical Da Ren Tang agreed to acquire the entire 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) held by Lisheng Pharmaceutical at a consideration of RMB87,824,000 (equivalent to approximately HK$96,936,000) and such equity instrument was classified as asset held for sale at 31 December 2023. The disposal was completed in August 2024 and a cumulative gain on disposal of RMB10,900,000 (equivalent to approximately HK$11,939,000) has been transferred to retained earnings for the year ended 31 December 2024.

20. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for machinery. The terms of finance leases entered into usually for 3 years (2023: 3 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

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

As at 31 December 2024, finance lease receivables amounted to HK$111,450,000 (2023: HK$123,469,000), net of allowance for credit losses of HK$752,000 (2023: HK$2,248,000).

	Minimum lease payments 2024 HK$'000	**Present value of minimum lease payments 2024 HK$'000**	Minimum lease payments 2023 HK$'000	Present value of minimum lease payments 2023 HK$'000
Finance lease receivables comprise:				
Within one year	**15,437**	**14,910**	109,034	108,401
More than one year but not more than two years	**–**	**–**	16,445	15,068
More than two years	**106,872**	**96,540**	–	–
Gross investment in the lease	**122,309**	**111,450**	125,479	123,469
Less: unearned finance income	**(10,859)**	**–**	(2,010)	–
Present value of minimum lease payment receivables	**111,450**	**111,450**	123,469	123,469
Analysed as:				
Current		**14,910**		108,401
Non-current		**96,540**		15,068
		111,450		123,469

Interest rates implicit in the above finance leases ranging from 5.45% to 5.5% per annum (2023: ranging from 5.4% to 5.5% per annum).

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

Details of impairment assessment are set out in Note 45.

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

(a) Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK$827,635,000 (2023: HK$601,329,000) 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 2024, the recoverable amount of the interest in Tianjin Port, was determined from value in use calculation. The calculation uses discounted cash flows which require the estimation of key assumptions and inputs including discount rates, growth rate and expected dividend income. The cash flows of the expected dividend income are extrapolated using a steady 5.0% (2023: 4.1%) per annum growth rate with a discount rate of 6.0% (2023: 5.5%) per annum. Such estimation is based on the historical actual dividend received and the management's expectations of the maintainable dividend income taking into consideration of both internal factors and external market environment.

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

(b) As at 31 December 2024, the management of the Group conducted an impairment assessment on the non-current assets (including property, plant and equipment and land use rights) of Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.（天津市天發重型水電設備製造有限公司）("**Tianfa Equipment**") in the electrical and mechanical segment. As at 31 December 2024, the carrying amounts of the property, plant and equipment and land use rights of Tianfa Equipment are HK$247,010,000 and HK$56,507,000, respectively (2023: HK$268,635,000 and HK$59,219,000, respectively).

The estimated recoverable amounts of the non-current assets of Tianfa Equipment are measured by a combination of market approach and depreciated replacement cost approach, in assessing the land portion of the property and the buildings and structures standing on the land respectively. As at 31 December 2024 and 2023, the estimated recoverable amounts are higher than the carrying amounts of these non-current assets, no further impairment was made.

(c) For the purposes of impairment testing, goodwill set out in Note 17 has been allocated to an individual CGU, which is a subsidiary in the pharmaceutical segment. The recoverable amount is significantly above the carrying amount of the individual CGU. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

22. INVENTORIES

	2024 **HK$'000**	2023 HK$'000
Raw materials	**88,085**	90,063
Work in progress	**73,843**	101,169
Finished goods	**139,112**	123,835
Consumable stocks	**3,682**	3,623
	304,722	318,690

23. AMOUNT(S) DUE FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD/ULTIMATE HOLDING COMPANY

			At 1 January	**Maximum amount outstanding during the year**	
	2024 **HK$'000**	2023 HK$'000	2023 HK$'000	**2024** **HK$'000**	2023 HK$'000
Amounts due from investments accounted for using the equity method	**16,086**	13,213	13,425	**16,086**	13,425
Amount due from ultimate holding company	**183**	305	1,131	**305**	1,131

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

			At 1 January	**Maximum amount outstanding during the year**	
	2024 **HK$'000**	2023 HK$'000	2023 HK$'000	**2024** **HK$'000**	2023 HK$'000
Amounts due from related companies	**99,926**	88,039	62,879	**99,926**	88,039
Amounts due to related companies	**141,058**	183,024			

The balances are denominated in Renminbi and are unsecured, interest-free and have no fixed repayment term. Details of the relationship with related companies are set out in Note 47(b).

25. CONTRACT ASSETS

	2024 **HK$'000**	2023 HK$'000
Machinery construction contracts	**156,706**	107,092

As at 1 January 2023, contract assets amounted to HK$114,250,000.

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

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

Machinery construction contracts

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

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

As at 31 December 2024, included in contract assets are retentions of HK$11,283,000 (2023: HK$14,251,000) 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 AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2024 HK$'000	2023 HK$'000
Trade receivables			
Trade receivables – exposure at default	(a), (b)	**1,312,897**	1,142,345
Trade receivables – gross		**1,312,897**	1,142,345
Less: allowance for credit losses	(b)	**(154,792)**	(102,434)
Trade receivables – net		**1,158,105**	1,039,911
Trade receivables backed by notes	(d)	**243,757**	350,192
	(c)	**1,401,862**	1,390,103
Other receivables, deposits and prepayments		**426,410**	328,706

As at 1 January 2023, trade receivables (net of allowance) (including those backed by notes) from contracts with customers amounted to HK$1,371,974,000.

notes:

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

Annual government supplemental income receivables do not have credit terms and the amounts are finalised by the relevant bureaus of TEDA from time to time. Continuous settlements have been received by the Group over the years and the balance of which as at 31 December 2024 was HK$824,103,000 (2023: HK$855,398,000).

(b) As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK$905,127,000 (2023: HK$776,181,000) (excluding those backed by notes) which are past due as at the reporting date. Out of the past due balances, HK$690,173,000 (2023: HK$722,588,000) (excluding those backed by notes) has been past due 90 days or more and is not considered by the management of the Group as in default having considered the subsequent and historical repayment from these trade debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2024 and 2023 are set out in Note 45(b).

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

notes: (Continued)

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

	2024 HK$'000	2023 HK$'000
Within 30 days	**196,441**	395,361
31 to 90 days	**293,212**	122,405
91 to 180 days	**236,725**	142,783
181 to 365 days	**393,547**	227,110
Over 1 year	**281,937**	502,444
	1,401,862	1,390,103

(d) As at 31 December 2024, total trade receivables backed by notes amounting to HK$243,757,000 (2023: HK$350,192,000) are with maturity period of less than one year.

As at 31 December 2024, trade receivables backed by notes with an aggregate carrying amount of HK$10,523,000 (2023: HK$59,190,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and payables.

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK$'000	2023 HK$'000
Investments held for trading:		
Listed shares in Hong Kong	**8,427**	8,394
Certificate of deposits	**77,739**	–
Listed funds in the PRC	**11,003**	22,575
Unlisted funds in the PRC	**453,135**	169,981
Unlisted trust funds in the PRC	**135,084**	197,081
	685,388	398,031
Market values of listed shares	**8,427**	8,394
Market values of listed funds	**11,003**	22,575
Analysed as:		
Current	**653,229**	364,998
Non-current	**32,159**	33,033
	685,388	398,031

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

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

The fair values of all listed shares and listed funds are based on their current bid prices in active markets. The fair values of unlisted funds and unlisted trust funds are determined based on their redemption values quoted by the relevant investment trust or securities companies. Details of fair value measurement are referred to Note 45.

28. STRUCTURED DEPOSITS

As at 31 December 2024, the Group placed with seven licensed commercial banks (2023: four licensed commercial banks) in the PRC for principal-protected structured deposits denominated in Renminbi with maturity of 1 to 3 months (2023: 1 to 3 months) after the end of the reporting period. The expected annual interest rate for structured deposits was indicated at 1.1% to 2.6% (2023: at 1.3% to 3.3%) per annum, however, the actual interest rate to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at FVTPL.

29. ENTRUSTED DEPOSITS

As at 31 December 2024, the entrusted deposits denominated in Renminbi were placed with two financial institutions (2023: three financial institutions) in the PRC, with maturity from 6 to 12 months (2023: from 6 to 12 months) after the end of the reporting period. The deposits carry the expected rates of return at 4.0% (2023: ranging from 4.0% to 7.3%) per annum.

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

	2024	2023
	HK$'000	HK$'000
Cash at banks and in hand	**2,617,821**	3,191,693
Time deposits with maturity less than three months	**908,054**	1,260,502
Balances with other financial institutions	**9,238**	8,894
Cash and cash equivalents	**3,535,113**	4,461,089
Time deposits with maturity over three months	**2,617,777**	1,926,784
Restricted bank balances (note)	**119,178**	216,868
	6,272,068	6,604,741
Analysed as:		
Current	**6,033,334**	6,604,741
Non-current	**238,734**	–
	6,272,068	6,604,741

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

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

31. SHARE CAPITAL

	Number of shares thousand	Value HK$'000
Issued and fully paid ordinary shares with no par value:		
At 1 January 2023, 31 December 2023 and 2024	**1,072,770**	**5,136,285**

32. RESERVES

	Capital reserve HK$'000	General reserve HK$'000 note (i)	Statutory reserves HK$'000 note (i)	Share-based payment reserve HK$'000	Other reserves HK$'000 note (ii)	Exchange reserve HK$'000	Fair value through other comprehensive income reserve HK$'000 note (iii)	Sub-total HK$'000	Retained earnings HK$'000 note (iv)	Total HK$'000
At 1 January 2023	17,350	27,087	782,513	976	(1,510,865)	30,304	356,274	(296,361)	7,176,062	6,879,701
Profit for the year	–	–	–	–	–	–	–	–	635,634	635,634
Other comprehensive (expense) income for the year	–	–	–	–	–	(170,193)	147,815	(22,378)	–	(22,378)
Dividends (Note 11)	–	–	–	–	–	–	–	–	(96,013)	(96,013)
Transfer between reserves	53	337	55,333	–	–	–	–	55,723	(55,723)	–
Others	–	1,562	–	–	–	–	–	1,562	–	1,562
At 31 December 2023	**17,403**	**28,986**	**837,846**	**976**	**(1,510,865)**	**(139,889)**	**504,089**	**(261,454)**	**7,659,960**	**7,398,506**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**548,069**	**548,069**
Other comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(221,945)**	**(99,714)**	**(321,659)**	**-**	**(321,659)**
Dividends (Note 11)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(149,973)**	**(149,973)**
Transfer between reserves	**537**	**366**	**50,649**	**-**	**-**	**-**	**-**	**51,552**	**(51,552)**	**-**
Dilution of equity interest of an associate	**(12,162)**	**104**	**-**	**-**	**-**	**-**	**-**	**(12,058)**	**-**	**(12,058)**
Repurchase of shares by a subsidiary (note v)	**(14,651)**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,651)**	**-**	**(14,651)**
Disposal of equity instrument at fair value through other comprehensive income (Note 19 (iii))	**-**	**-**	**-**	**-**	**-**	**-**	**(4,108)**	**(4,108)**	**11,939**	**7,831**
Others	**-**	**147**	**-**	**-**	**-**	**-**	**-**	**147**	**-**	**147**
At 31 December 2024	**(8,873)**	**29,603**	**888,495**	**976**	**(1,510,865)**	**(361,834)**	**400,267**	**(562,231)**	**8,018,443**	**7,456,212**

32. RESERVES (Continued)

notes:

(i) General and statutory reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries established in the PRC and cannot be used for distribution in the form of cash dividends.

According to the articles of association of each of the Group's subsidiaries established in the PRC, a percentage, as stated in the articles of association or as approved by the board of directors of the subsidiaries, of net profit as reported in the PRC statutory accounts must be appropriated to reserve fund and enterprise expansion reserve, both of which are classified under statutory reserves. The percentage of appropriation is determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in capital.

(ii) Other reserves mainly represented (a) reserves arising from reorganisation in prior years; (b) the merger reserve arising from acquisition of Thrive Leap Limited ("**Thrive Leap**") in 2015, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap; and (c) reserve arising from assets restructuring of Tianjin Port in 2017; and (d) reserve arising from capital contribution from non-controlling interest of Tianjin Port in 2022.

(iii) The FVTOCI reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI that have been recognised in other comprehensive income.

(iv) Retained earnings arising from investments accounted for using the equity method amounted to HK$1,253,599,000 (2023: HK$1,905,187,000).

(v) During the year ended 31 December 2024, Lisheng Pharmaceutical repurchased a total of 2,194,600 of its ordinary shares at the then prevailing market price, ranging from RMB17.48 to RMB17.86 (equivalent to approximately HK$19.15 to HK$19.50) per ordinary shares of Lisheng Pharmaceutical.

33. RESTRICTED SHARES INCENTIVE SCHEME OF A SUBSIDIARY

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

The total number of restricted shares which may be granted under the Incentive Scheme shall not in aggregate exceed 1% of the total number of shares of Lisheng Pharmaceutical in issue as at the date of approval of the Incentive Scheme, i.e. 1,824,549 restricted shares. On 23 July 2024, the board of directors of Lisheng Pharmaceutical approved the adjustment of the total number of restricted shares which may be granted under the Incentive Scheme to 2,108,400 restricted shares. On 9 December 2022, total of 1,538,000 restricted shares were granted to 81 eligible employees at RMB13.66 per share (equivalent to approximately HK$15.30 per share). On 27 September 2023, total of 284,000 restricted shares were further granted to 17 eligible employees at RMB12.49 per share (equivalent to approximately HK$13.88 per share. On 28 May 2024, total of 716,000 restricted shares were granted to the eligible employees as the shareholders of Lisheng Pharmaceutical has approved to issue 4 bonus shares for every 10 shares to all shareholders.

33. RESTRICTED SHARES INCENTIVE SCHEME OF A SUBSIDIARY (Continued)

According to the Incentive Scheme, 33%, 33% and 34% of the shares would be vested over a requisite service period of one year commencing from the first trading day of the third year, the fourth year and the fifth year respectively after the date of registration of shares, subject to the performance targets of Lisheng Pharmaceutical and the eligible employees. If the vesting conditions are not met upon the expiry of the vesting period, Lisheng Pharmaceutical would repurchase the restricted shares from the eligible employees at original grant price and cancelled the restricted shares. On 29 February 2024, total of 32,000 restricted shares were redeemed at RMB13.36 per share (equivalent to approximately HK$14.63 per share) and treated as cancelled due to work allocation of 2 participants. On 24 December 2024, total of 47,600 restricted shares were redeemed at RMB8.49 and RMB9.11 (equivalent to approximately HK$9.30 and HK$9.99) and treated as cancelled due to work allocation and resignation of 2 participants.

At 31 December 2024, Lisheng Pharmaceutical has issued 2,458,400 (2023: 1,822,000) restricted shares.

During the year ended 31 December 2023, the cash proceeds received from the Incentive Scheme amounting to RMB3,547,000 (equivalent to approximately HK$3,941,000) (2024: nil) is included in other payables as Lisheng Pharmaceutical has obligation to repurchase the restricted shares if the vesting conditions are not met.

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

During the years ended 31 December 2023 and 2024, no restricted shares have been vested.

The Group recognised share-based payment expense of HK$6,252,000 (2023: HK$6,908,000) for the year ended 31 December 2024 in relation to the Incentive Scheme.

34. BANK BORROWINGS

	2024 HK$'000	2023 HK$'000
Unsecured bank borrowings	**1,989,813**	1,810,630
Analysed as:		
Current	**1,965,216**	100,000
Non-current	**24,597**	1,710,630
	1,989,813	1,810,630

notes:

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

	2024 HK$'000	2023 HK$'000
Bank borrowings:		
Within one year	**1,965,216**	100,000
More than one year but not more than two years	**10,799**	1,710,630
More than two years but not more than five years	**13,798**	–
	1,989,813	1,810,630

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

	2024 HK$'000	2023 HK$'000
Bank borrowings:		
Renminbi	**74,295**	–
Hong Kong dollar	**1,915,518**	1,810,630
	1,989,813	1,810,630

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

	2024 %	2023 %
Bank borrowings:		
Renminbi	**3.28**	–
Hong Kong dollar	**5.96**	5.88

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

35. DEFERRED TAXATION

	2024 HK$'000	2023 HK$'000
Deferred tax assets	**78,412**	88,387
Deferred tax liabilities	**(205,253)**	(236,233)
Deferred tax liabilities, net	**(126,841)**	(147,846)

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$1,704,141,000 (2023: HK$1,500,697,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	Accelerated depreciation HK$'000	Revaluation of property HK$'000	Provisions for impairment HK$'000	Tax losses HK$'000	Fair value adjustments on business combination HK$'000	Fair value adjustment on equity instruments at fair value through other comprehensive income HK$'000	Total HK$'000
At 1 January 2023	(20,695)	(13,207)	31,609	67,508	(3,849)	(139,513)	(78,147)
Deferred tax credited to profit or loss	101	2,223	3,726	4,634	1,087	–	11,771
Deferred tax charged to other comprehensive income	–	–	–	–	–	(83,462)	(83,462)
Exchange differences	34	175	(479)	(187)	47	2,402	1,992
At 31 December 2023	**(20,560)**	**(10,809)**	**34,856**	**71,955**	**(2,715)**	**(220,573)**	**(147,846)**
Deferred tax credited (charged) to profit or loss	**1,143**	**2,480**	**(760)**	**(8,664)**	**1,071**	**(17,932)**	**(22,662)**
Deferred tax credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**46,298**	**46,298**
Arising on acquisition of a subsidiary (Note 43)	**–**	**–**	**590**	**–**	**(9,787)**	**–**	**(9,197)**
Exchange differences	**34**	**3,088**	**(753)**	**(391)**	**223**	**4,365**	**6,566**
At 31 December 2024	**(19,383)**	**(5,241)**	**33,933**	**62,900**	**(11,208)**	**(187,842)**	**(126,841)**

36. TRADE PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**367,172**	437,401
Trade payables under supplier finance arrangements (note)	**77,465**	80,997
	444,637	518,398

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

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

	2024 HK$'000	2023 HK$'000
Within 30 days	**144,080**	202,098
31 to 90 days	**39,073**	70,053
91 to 180 days	**35,765**	77,495
Over 180 days	**225,719**	168,752
	444,637	518,398

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

37. OTHER PAYABLES AND ACCRUALS

	2024 HK$'000	2023 HK$'000
Accruals	**590,970**	678,415
Other payables	**583,600**	616,450
	1,174,570	1,294,865

38. CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Provision of utilities and other related supporting facilities	**602,467**	589,540
Machinery construction contracts	**23,599**	24,885
Sale of pharmaceutical products	**43,170**	16,528
Others	**1,409**	1,491
	670,645	632,444

As at 1 January 2023, contract liabilities amounted to HK$742,573,000.

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

	Provision of utilities and other related supporting facilities		Machinery construction contracts		Sale of pharmaceutical products	
	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000
Amount recognised that was included in the contract liabilities balance at the beginning of the year	**285,557**	249,556	**8,913**	8,291	**16,528**	34,514

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 2024, included in the contract liabilities are receipt in advance of HK$602,467,000 (2023: HK$589,540,000) 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.

38. CONTRACT LIABILITIES (Continued)

Machinery construction contracts

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

Sale of pharmaceutical products

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

39. LEASE LIABILITIES

	2024 **HK$'000**	2023 HK$'000
Within one year	**10,499**	5,527
Within a period of more than one year but not more than two years	**7,688**	2,508
Within a period of more than two years but not more than five years	**5,945**	2,511
	24,132	10,546
Less: Amount due for settlement with 12 months shown under current liabilities	**(10,499)**	(5,527)
Amount due for settlement after 12 months shown under non-current liabilities	**13,633**	5,019

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate from 3.45% to 4.75% (2023: 4.35%) per annum.

40. OPERATING LEASES

The Group as lessors

As at 31 December 2024, all of the properties held for rental purposes have committed lessees for the next 1 to 4 years (2023: 1 to 5 years).

Undiscounted lease payments receivables on leases are as follows:

	2024	2023
	HK$'000	HK$'000
Within one year	**5,015**	5,394
In the second year	**5,015**	5,126
In the third year	**5,015**	5,126
In the fourth year	**2,090**	5,126
In the fifth year	**–**	2,136
	17,135	22,908

41. CAPITAL COMMITMENTS

	2024	2023
	HK$'000	HK$'000
Contracted but not provided for in respect of		
– Additions to property, plant and equipment	**28,596**	59,579

42. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances of HK$119,178,000 (2023: HK$216,868,000) were pledged to financial institutions by the Group to secure general banking facilities.

43. ACQUISITION OF A SUBSIDIARY

On 29 December 2023, the Group through Lisheng Pharmaceutical, entered into an equity acquisition agreement (the "**Agreement**") with Jiangxi Qingchun Kangyuan Group Co., Ltd.（江西青春康源集團有限公司）, Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd.（江西青春康源中藥股份有限公司）(collectively the "**Vendors**"), Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd.（江西青春康源製藥有限公司）("**Qingchun Kangyuan**") and Mr. Liu Musheng, the actual controller of the Vendors and Qingchun Kangyuan pursuant to which, Lisheng Pharmaceutical has conditionally agreed to acquire 65% equity interest in Qingchun Kangyuan for a total cash consideration of RMB136,991,855 (equivalent to approximately HK$150,706,000). The acquisition was completed in February 2024 and the Group obtained control of Qingchun Kangyuan. Qingchun Kangyuan and its subsidiary (collectively the "**Qingchun Kangyuan Group**") is principally engaged in research and development, production and sales of proprietary Chinese medicine preparations and Chinese herbal extract, with products covering various medicine fields including digestive system, respiratory system, skeletal musculature and systemic anti-infective etc.. The acquisition has been accounted for as an acquisition of business using the acquisition method.

Pursuant to the terms of the Agreement, Qingchun Kangyuan, the Vendors and Mr. Liu Musheng (collectively referred as the "**Guarantors**") have provided performance guarantee covering the financial years of 2023, 2024, 2025 and 2026 ("**Performance Commitment Period**") to the Group, among which, the audited consolidated net profit (after deduction of non-recurring profits and losses) ("**Audited Net Profit**") of Qingchun Kangyuan in the financial year of 2023 should not be less than RMB11,332,200 and, during the Performance Commitment Period, (i) the Audited Net Profit of Qingchun Kangyuan in any financial year shall not be lower than that in the preceding financial year; and (ii) the average growth rate of the Audited Net Profit of Qingchun Kangyuan per annum should not be lower than 10%, and accordingly, the Audited Net Profit of Qingchun Kangyuan in the financial year of 2026 shall not be less than RMB14,731,860 (collectively the "**Performance Guarantee**"). In the event that the Audited Net Profit of Qingchun Kangyuan cannot reach the required level as stipulated under the Performance Guarantee in respect of any relevant year in or the whole period of the Performance Commitment Period, the Guarantors will compensate to Lisheng Pharmaceutical (the "**Profit Guarantee Arrangement**"). Upon review by the Group during the years ended 31 December 2023 and 2024, the Performance Guarantee has been achieved and no performance compensation is required.

The directors of the Company considered the fair value of Profit Guarantee Arrangement at 31 December 2024 is insignificant.

Consideration

	HK$'000
Cash	150,706

Acquisition-related costs amounting to approximately HK$1,489,000 have been excluded from the consideration and have been recognised directly as an expense for the year within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

43. ACQUISITION OF A SUBSIDIARY (Continued)

Assets and liabilities recognised at the date of acquisition

	HK$'000
Property, plant and equipment	58,081
Land use rights	11,099
Intangible assets	60,304
Deferred tax assets	590
Inventories	45,910
Trade receivables	31,102
Other receivables, deposits and prepayments	35,220
Cash and cash equivalents	58,844
Trade payables	(15,509)
Other payables and accruals	(103,494)
Contract liabilities	(7,203)
Bank and other borrowings	(51,917)
Current tax liabilities	(2,568)
Deferred tax liabilities	(9,787)
	110,672

The receivables acquired (which principally comprised trade and other receivables) with a fair value of HK$55,539,000 at the date of acquisition had gross contractual amounts of HK$56,858,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$1,319,000.

Non-controlling interests

The non-controlling interests, representing 35% of equity interest in Qingchun Kangyuan Group, recognised at the date of acquisition amounted to HK$38,735,000 was measured by reference to the proportionate share of recognised net assets of Qingchun Kangyuan Group amounted to HK$110,672,000.

Goodwill arising on acquisition

	HK$'000
Consideration	150,706
Plus: non-controlling interests (35% in Qingchun Kangyuan Group)	38,735
Less: recognised amounts of net assets acquired	(110,672)
Goodwill arising on acquisition	78,769

43. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition (Continued)

Goodwill arose on the acquisition of Qingchun Kangyuan Group was attributable to its anticipated profitability and a further synergy effect of the existing business of the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition of Qingchun Kangyuan Group

	HK$'000
Consideration	150,706
Less: Deposit paid for acquisition in prior year	(110,375)
Less: Unsettled consideration (included in other payables and accruals)	(7,692)
Cash consideration paid in current year	32,639
Less: Cash and cash equivalents acquired	(58,844)
Net cash inflow on acquisition	(26,205)

Included in the profit for the year is HK$16,489,000 attributable to the additional business generated by Qingchun Kangyuan Group. Revenue for the year includes HK$294,507,000 generated from Qingchun Kangyuan Group.

Had the acquisition of Qingchun Kangyuan Group been completed on 1 January 2024, revenue for the year of the Group would have been HK$3,362,785,000, and the profit for the year would have been HK$801,192,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash used in operations:

	2024 HK$'000	2023 HK$'000
Profit before tax	**885,954**	1,082,521
Adjustments for:		
Share of net profit of associates and joint venture accounted for using the equity method	**(419,176)**	(552,389)
Finance costs	**120,730**	107,352
Finance lease interest income	**(5,613)**	(6,177)
Interest income	**(237,322)**	(255,332)
Depreciation	**181,567**	203,526
Amortisation	**4,929**	243
Allowance for (reversal of) impairment losses:		
– trade receivables	**55,342**	(23,683)
– contract assets	**4,431**	(7,561)
– other receivables	**(1,501)**	(916)
– finance lease receivables	**(1,468)**	1,966
Net exchange losses	**8,139**	17,778
Dividend income from equity instruments at FVTOCI	**(10,722)**	(6,860)
Net gains on disposal/written off of property, plant and equipment	**(164)**	(249,703)
Unrealised gains on financial assets at fair value through profit or loss	**(3,214)**	(17,646)
Gain arising from dilution of equity interest of an associate	**(350,233)**	–
Gain on disposal of an associate	**(78,138)**	–
Share-based payment expenses	**6,252**	6,908
Decrease in fair value of investment properties	**12,453**	8,556
Operating cash flows before movements in working capital	**172,246**	308,583
Changes in working capital:		
Inventories	**53,096**	16,804
Finance lease receivables	**16,566**	6,177
Trade receivables	**(66,618)**	(14,385)
Other receivables, deposits and prepayments	**(64,686)**	(143,472)
Financial assets at fair value through profit or loss	**(296,954)**	100,729
Trade payables	**(78,964)**	(314,484)
Other payables and accruals	**(204,829)**	87,501
Amounts due from/to related companies	**(52,417)**	(44,387)
Contract assets	**(57,097)**	13,116
Contract liabilities	**45,396**	(100,137)
Cash used in operations	**(534,261)**	(83,955)

45. FINANCIAL RISK MANAGEMENT

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

	2024 **HK$'000**	2023 HK$'000
Financial assets		
Financial assets mandatorily required to be measured at FVTPL		
– Held for trading	**685,388**	398,031
– Others	**1,384,303**	1,237,513
	2,069,691	1,635,544
Financial assets at amortised cost	**8,100,989**	8,420,003
Equity instruments designated at FVTOCI	**2,265,620**	1,719,518
Financial liabilities		
Amortised cost	**2,945,399**	2,915,119

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The Group has foreign currency sales in its electrical and mechanical business segment and foreign currency investments in funds, which have exposure to foreign exchange risk. Other than that, the principal subsidiaries of the Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risk during both years.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2024, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2023: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK$36,519,000 (2023: HK$54,406,000) as a result of the translation of the Non-Functional Currency Items. The sensitivity analysis includes only external outstanding relevant foreign currency denominated monetary items, and except for US$ as the directors of the Company consider that the Group's exposure to US$ is insignificant on the ground that HK$ is pegged to US$.

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares, listed funds, unlisted trust funds and unlisted funds are classified on the consolidated statement of financial position as equity instruments at FVTOCI and financial assets at FVTPL specified in Notes 19 and 27, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2023: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK$51,476,000 (2023: HK$29,924,000) and HK$170,489,000 (2023: HK$129,638,000), respectively.

(iii) Interest rate risk

Other than the certificate of deposits, structured deposits, entrusted deposits and bank balances and deposits specified in Notes 27, 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 bank borrowings at variable rates of HK$1,915,518,000 (2023: HK$1,810,630,000) and fixed rates of HK$74,295,000 (2023: nil).

If interest rates had been 50 basis points (2023: 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 2024 would decrease/increase by HK$7,997,000 (2023: HK$7,559,000).

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

If interest rates had been 25 basis points (2023: 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$1,736,000 (2023: HK$1,626,000); if interest rates had been 25 basis points (2023: 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$10,700,000 (2023: HK$11,457,000).

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 and other receivables, restricted bank balances, time deposits with maturity over three months and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets, except that the credit risks associated with finance lease receivables is mitigated because they are secured over machinery leased and settlement of certain trade receivables are backed by notes issued by reputable financial institutions.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk in relation to trade receivables and contract assets, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit analysis to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group performs impairment assessment under ECL model on balances of trade receivables (excluding those backed by notes) and contract assets collectively based on provision matrix. Besides, a significant portion of the Group's trade receivables backed by notes are arranged with state-owned banks in the PRC. The credit risks on these notes are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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

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

The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2024, the amounts of impairment losses made for these balances were insignificant and reversal of impairment losses of HK$1,501,000 (2023: HK$916,000) on other receivables was recognised.

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

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

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

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

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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

2024	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	16,086
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	183
Amounts due from related companies	24	N/A	(note (i))	12-month ECL	99,926
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	119,178
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	2,617,777
Bank balances	30	AA+ to AAA	N/A	12-month ECL	3,535,113
Finance lease receivables	20	N/A	(note (i))	12-month ECL	112,202
Other receivables	26	N/A	(note (i))	12-month ECL	199,414
Trade receivables backed by notes	26	AA to AAA	N/A	12-month ECL	243,757
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	1,162,458
				Lifetime ECL – Credit-impaired	150,439
Other item					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	159,070
				Lifetime ECL – Credit-impaired	43,931

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

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

2023	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	13,213
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	305
Amounts due from related companies	24	N/A	(note (i))	12-month ECL	88,039
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	216,868
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	1,926,784
Bank balances	30	AA+ to AAA	N/A	12-month ECL	4,461,089
Finance lease receivables	20	N/A	(note (i))	12-month ECL	125,717
Other receivables	26	N/A	(note (i))	12-month ECL	200,133
Trade receivables backed by notes	26	AA to AAA	N/A	12-month ECL	350,192
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	1,043,440
				Lifetime ECL – Credit-impaired	98,905
Other item					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	109,556
				Lifetime ECL – Credit-impaired	40,385

notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2024 and 2023, the Group considers that the ECL for these balances are not significant since these balances are either not past due or without fixed repayment terms.

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

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

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

As part of the Group's credit risk management, the Group uses provision matrix to calculate ECL for trade receivables (excluding those backed by notes) and contract assets collectively. The provision rates are based on the comparable default and recovery data from international credit-rating agencies and adjusted for forward-looking estimates that is reasonable and supportable without undue costs or effort. The following table provides information about the exposure to credit risk for trade receivables (excluding those backed by notes) and contract assets which are assessed based on provision matrix as at 31 December 2024 within lifetime ECL (not credit-impaired). Debtors of trade receivables (excluding those backed by notes) and contract assets are credit-impaired with gross carrying amounts of HK$194,370,000 (2023: HK$139,290,000) as at 31 December 2024 were assessed individually. No debtors with significant long outstanding balances are noted as at 31 December 2024 and 2023.

Gross carrying amount

	At 31 December 2024		
	Average loss rate	Trade receivables (excluding those backed by notes) HK$'000	Contract assets HK$'000
Operating segment			
Utilities – water, and heat and thermal power	**0.09% – 0.14%**	**903,966**	**–**
Pharmaceutical	**0.67% – 1.49%**	**224,588**	**–**
Hotel	**1.82% – 2.08%**	**6,105**	**–**
Electrical and mechanical	**1.49%**	**27,799**	**159,070**
		1,162,458	**159,070**

	At 31 December 2023		
	Average loss rate	Trade receivables (excluding those backed by notes) HK$'000	Contract assets HK$'000
Operating segment			
Utilities – water, and heat and thermal power	0.12% – 0.18%	932,648	–
Pharmaceutical	1.79% – 2.35%	64,211	–
Hotel	2.72% – 4.22%	5,776	–
Electrical and mechanical	2.35%	40,805	109,556
		1,043,440	109,556

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 (excluding those backed by notes) under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2023	2,969	124,819	127,788
– Impairment losses recognised (reversed)	603	(24,286)	(23,683)
– Exchange adjustments	(43)	(1,628)	(1,671)
As at 31 December 2023	**3,529**	**98,905**	**102,434**
– Impairment losses recognised	**911**	**54,431**	**55,342**
– Exchange adjustments	**(87)**	**(2,897)**	**(2,984)**
As at 31 December 2024	**4,353**	**150,439**	**154,792**

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 2023	1,233	49,861	51,094
– Impairment losses recognised (reversed)	1,257	(8,818)	(7,561)
– Exchange adjustments	(26)	(658)	(684)
As at 31 December 2023	**2,464**	**40,385**	**42,849**
– Impairment losses (reversed) recognised	**(48)**	**4,479**	**4,431**
– Exchange adjustments	**(52)**	**(933)**	**(985)**
As at 31 December 2024	**2,364**	**43,931**	**46,295**

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 (excluding those backed by notes) when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables (excluding those backed by notes) are over two years past due, whichever occurs earlier.

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

For the Group's electrical and mechanical business which involves a long production cycle, there are policies in place to ensure the production process is consistent with the contracted schedule. The provisions of services are made to customers with appropriate credit history and periodic credit evaluations of customers are performed. The aggregate net carrying amount of the relevant trade receivables (excluding those backed by notes) and contract assets of electrical and mechanical business that are subject to credit risk amounting to HK$27,385,000 and HK$156,706,000, respectively (2023: HK$39,844,000 and HK$107,092,000, respectively) as at 31 December 2024. The directors of the Company are of the opinion that adequate ECL provision for uncollectible trade receivables (excluding those backed by notes) and contract assets have been made in the consolidated financial statements.

As at 31 December 2024, 62% (2023: 67%) of the Group's financial assets were bank deposits, structured deposits and entrusted deposits (2023: bank deposits, structured deposits and entrusted deposits), which were placed with state-owned banks, licensed commercial banks and other financial institutions in the PRC. For utilities business, except for an amount of HK$824,103,000 (2023: HK$855,398,000), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2024 and 2023, 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.

45. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(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 2024, the Group had cash and cash equivalents of approximately HK$3,535,113,000 (2023: HK$4,461,089,000), bank borrowings of approximately HK$1,989,813,000 (2023: HK$1,810,630,000) and lease liabilities of approximately HK$24,132,000 (2023: HK$10,546,000), respectively.

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$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2024					
Bank borrowings	**2,075,328**	**11,729**	**15,477**	**2,102,534**	**1,989,813**
Amounts due to related companies	**141,058**	**–**	**–**	**141,058**	**141,058**
Trade payables and other payables	**814,528**	**–**	**–**	**814,528**	**814,528**
	3,030,914	**11,729**	**15,477**	**3,058,120**	**2,945,399**
Lease liabilities	**10,834**	**8,076**	**6,256**	**25,166**	**24,132**
At 31 December 2023					
Bank borrowings	209,867	1,808,171	–	2,018,038	1,810,630
Amounts due to related companies	183,024	–	–	183,024	183,024
Trade payables and other payables	921,465	–	–	921,465	921,465
	1,314,356	1,808,171	–	3,122,527	2,915,119
Lease liabilities	5,607	1,333	3,999	10,939	10,546

45. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to the owners of the Company as shown in the consolidated statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	2024 **HK$'000**	2023 HK$'000
Total cash and bank deposits	**6,272,068**	6,604,741
Less: bank borrowings	**(1,989,813)**	(1,810,630)
Less: lease liabilities	**(24,132)**	(10,546)
Net cash	**4,258,123**	4,783,565
Shareholders' funds	**12,592,497**	12,534,791
Net gearing position	**Net cash**	Net cash

45. FINANCIAL RISK MANAGEMENT (Continued)

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 2024 HK$'000	Fair value as at 31 December 2023 HK$'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	**84,228**	99,952	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted equity security – Research Institute	**891,898**	–	Level 2	Market approach based on the transaction price by reference to the unilateral capital injection that is closest to end of the reporting period	N/A	N/A
– unlisted equity security – Tasly Group	**1,272,690**	1,587,116	Level 3	Dividend yield model which uses expected maintainable dividend income and market dividend yield	Dividend yield of 1.49% (2023: 1.15%) (note (i))	An increase in the dividend yield would result in a decrease in fair value, and vice versa
– other unlisted equity securities	**16,804**	32,450	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 9.59% – 11.54% (2023: 4.5% – 9.7%) (note (ii))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	2,265,620	1,719,518				
Financial assets at fair value through profit or loss						
– listed equity securities	**8,427**	8,394	Level 1	Quoted bid price in active markets	N/A	N/A
– certificate of deposits	**77,739**	–	Level 2	Redemption value quoted by banks	N/A	N/A
– listed funds	**11,003**	22,575	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted funds	**453,135**	169,981	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	**135,084**	197,081	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	**347,394**	154,919	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
– entrusted deposits	**1,036,909**	1,082,594	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	2,069,691	1,635,544				

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 2024, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK$12,560,000 (2023: HK$15,441,000) 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$12,815,000 (2023: HK$15,753,000).

(ii) As at 31 December 2024, 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$727,000 (2023: HK$125,000).

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK$'000
At 1 January 2023	1,176,459
Fair value change recognised as other comprehensive income (note)	560,637
Exchange differences	(20,594)
Classified as held for sale	(96,936)
At 31 December 2023	**1,619,566**
Fair value change recognised as other comprehensive expense (note)	**(299,294)**
Exchange differences	**(30,778)**
At 31 December 2024	**1,289,494**

note: Included in other comprehensive income for the year ended 31 December 2024 is an amount of HK$299,294,000 (2023: HK$560,637,000) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "FVTOCI reserve".

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

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

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

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

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

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 2023	18,576	–	1,564,639	1,583,215
Financing cash flows	(8,670)	(144,768)	250,000	96,562
Inception of leases	454	–	–	454
Interest expenses recognised	290	–	–	290
Dividend declared	–	144,768	–	144,768
Prepayment and amortisation of upfront fee	–	–	(4,009)	(4,009)
Foreign exchange translation	(104)	–	–	(104)
At 31 December 2023	**10,546**	**–**	**1,810,630**	**1,821,176**
Financing cash flows	**(10,343)**	**(237,228)**	**123,663**	**(123,908)**
Inception of leases	**23,508**	**–**	**–**	**23,508**
Interest expenses recognised	**672**	**–**	**–**	**672**
Dividend declared	**–**	**237,228**	**–**	**237,228**
Acquisition of a subsidiary (Note 43)	**–**	**–**	**51,917**	**51,917**
Amortisation of upfront fee	**–**	**–**	**4,889**	**4,889**
Foreign exchange translation	**(251)**	**–**	**(1,286)**	**(1,537)**
At 31 December 2024	**24,132**	**–**	**1,989,813**	**2,013,945**

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 Group Co., Ltd.（天津市醫藥集團有限公司）("**Tianjin Pharmaceutical**") in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products by the Group to the Tianjin Pharmaceutical and its subsidiaries (the "**Tianjin Pharmaceutical Group**") for a term commencing from 1 May 2016 and up to 31 December 2018. On 6 December 2018, the Master Sales Agreement is renewed from 1 January 2019 up to 31 December 2021. On 17 November 2021, the Master Sales Agreement is further renewed from 1 January 2022 up to 31 December 2024. As Tianjin Pharmaceutical is an associate of an intermediate controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules, therefore the entering into of the Master Sales Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2024, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB54,306,000 (equivalent to HK$59,481,000) (2023: RMB59,509,000 (equivalent to HK$66,121,000)).

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

For the year ended 31 December 2024, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB14,974,000 (equivalent to HK$16,401,000) (2023: RMB33,840,000 (equivalent to HK$37,600,000)).

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

For the year ended 31 December 2024, the total purchase amount by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB2,038,000 (equivalent to HK$2,232,000) (2023: RMB2,731,000 (equivalent to HK$3,034,000)).

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

47. RELATED PARTY TRANSACTIONS (Continued)

(a) Connected persons (Continued)

For the year ended 31 December 2024, the total leasing amount by the Group to the TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB9,828,000 (equivalent to HK$10,765,000) (2023: RMB11,758,000 (equivalent to HK$13,064,000)).

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

For the year ended 31 December 2024, the total leasing amount by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB9,320,000 (equivalent to HK$10,208,000) (2023: RMB9,320,000 (equivalent to HK$10,356,000)).

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

For the year ended 31 December 2024, the total purchase amount by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB888,165,000 (equivalent to HK$972,798,000) (2023: RMB947,003,000 (equivalent to HK$1,052,226,000)).

On 29 August 2024, the Company and TEDA Holding entered into a products procurement master agreement (the "**Products Procurement Master Agreement**"), pursuant to which members of the Group may purchase certain product(s) including daily office supplies, consumables and spare parts and other products from members of the TEDA Holding Group. The Products Procurement Master Agreement is for a term commencing from 1 September 2024 to 31 December 2024.

For the period from 1 September 2024 to 31 December 2024, the total purchase amount by the Group to the TEDA Holding Group under the Products Procurement Master Agreement was RMB48,374,000 (equivalent to HK$52,984,000).

On 29 August 2024, the Company and TEDA Holding entered into an integrated services master agreement (the "**Integrated Services Master Agreement**"), pursuant to which members of the TEDA Holding Group may provide certain services including construction and engineering services, property and facility management services, human resources related services, consultancy and advisory services and other services to members of the Group. The Integrated Services Master Agreement is for a term commencing from 1 September 2024 to 31 December 2024.

For the period from 1 September 2024 to 31 December 2024, the total purchase amount by the Group to the TEDA Holding Group under the Integrated Services Master Agreement was RMB13,266,000 (equivalent to HK$14,530,000).

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2023: 62.81%) of the Company's ordinary shares as at 31 December 2024. The remaining 37.19% (2023: 37.19%) of the Company's ordinary shares are widely held.

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

For the years ended 31 December 2024 and 2023, 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.

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 2024 set out in Notes 19, 23, 24 and 26, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(i) Transactions with related companies of the Group

	notes	**2024** **HK$'000**	2023 HK$'000
Short-term lease expenses for plants, pipelines and networks	(ii)	**20,973**	23,420
Purchase of goods	(i)	**12,665**	10,815
Purchase of daily office supplies, consumables, spare parts and other products	(i)	**52,984**	–
Purchase of services	(i)	**36,439**	37,961
Purchase of steam and thermal power	(iii)	**972,798**	1,052,226
Sales of goods	(i)	**157,026**	142,276

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Related parties (Continued)

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

notes:

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

(ii) The amount mainly represents the leasing fees paid by the Group to Tianjin TEDA Water Industry Co. Ltd. (天津泰達水業有限公司) and Tianjin TEDA Heat & Power Energy Management Co. Ltd. (天津泰達熱電能源管理有限公司) for leasing of water transmission pipelines as well as the heat and power networks and related facilities for its utilities supply business in TEDA, respectively. Both companies are the wholly-owned subsidiaries of TEDA Holding and therefore, is a connected person of the Group.

(iii) This mainly represents the purchase of steam and thermal power from Tianjin TEDA Energy Development Co., Ltd. (天津泰達能源發展有限責任公司) and Guohua Energy Development (Tianjin) Co., Ltd. (國華能源發展(天津)有限公司) for heat and thermal power supply business in TEDA. Both companies are the wholly-owned subsidiaries of TEDA Holding and therefore, is a connected person of the Group.

(ii) Key management compensation

	2024 **HK$'000**	2023 HK$'000
Fees	**–**	–
Salaries, share-based payment expense and other emoluments	**3,503**	3,952
Retirement benefits scheme contribution	**36**	36
	3,539	3,988

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

48. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2024 and 2023 are set out below:

			Percentage					
			2024			2023		
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 Pharmaceutical**") [#] 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products	RMB257,895,388	**34.41[@]**	**-**	**51.36[@]**	34.41[@]	–	51.36[@]
Tianjin Yiyao Printing Co., Ltd.[^^] 天津宜藥印務有限公司	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	RMB39,450,000	**43.55**	**-**	**65**	43.55	–	65
Tianjin Tai Kang Investment Co., Ltd. ("**Tainjin 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 Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. [^^] 天津市天發重型水電設備製造有限公司	Manufacture and sale of hydroelectric equipment and large scale pump unit	RMB838,405,377	**82.74**	**-**	**100**	82.74	–	100
Benefo Financial Leasing Co., Ltd. 百利融資租賃有限公司	Operation of finance lease business	RMB200,000,000	**82.74**	**-**	**100**	82.74	–	100
Incorporated in the Cayman Islands and operating in Hong Kong								
Thrive Leap Limited ("**Thrive Leap**")	Investment holding	US$10,000	**67**	**-**	**67**	67	–	67
Incorporated in the British Virgin Islands and operating in Hong Kong								
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	**-**	100	100	–
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	**-**	100	100	–
Incorporated and operating in Hong Kong								
Tsinlien Realty Limited 津聯置業有限公司	Operation of Courtyard by Marriott Hong Kong	HK$200,000	**100**	**-**	**100**	100	–	100
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK$15	**100**	**-**	**100**	100	–	100

48. PRINCIPAL SUBSIDIARIES (Continued)

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

* Wholly-foreign owned enterprise

^ Sino-foreign equity joint venture

Listed on the Shenzhen Stock Exchange with limited liability

^^ Limited liability company

@ As at 31 December 2024, the effective interest held by the Group and subsidiary included 0.33% and 0.49% (2023: 0.34% and 0.51%) equity interest held under treasury shares of Lisheng Pharmaceutical, respectively, for the purpose of the Incentive Scheme set out in Note 33.

Composition of the Group

At the end of the reporting period, the Company has 29 (2023: 28) other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A majority of these subsidiaries operate in Hong Kong.

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

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

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	**2024**	2023	**2024**	2023
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Tianjin Tai Kang	The PRC	**17.26**	17.26	**37,121**	71,111	**747,145**	755,073
Thrive Leap Group (as defined below)	Cayman Islands/Hong Kong	**33**	33	**213,194**	272,215	**4,047,162**	4,157,331
Other individual immaterial subsidiaries with non-controlling interests				**2,781**	3,577	**68,489**	65,733
				253,096	346,903	**4,862,796**	4,978,137

48. PRINCIPAL SUBSIDIARIES (Continued)

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

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

Tianjin Tai Kang

	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Current assets	**2,603,855**	2,637,614
Non-current assets	**1,367,021**	1,407,286
Current liabilities	**(368,943)**	(396,232)
Non-current liabilities	**(48)**	(3,623)
Equity attributable to owners of the Company	**2,854,740**	2,889,972
Non-controlling interests	**747,145**	755,073

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Revenue	**171,790**	166,765
Share of net profit of associates and joint venture accounted for using the equity method	**279,511**	393,114
Profit for the year	**207,792**	434,030
Other comprehensive expense for the year	**(86,659)**	(57,671)
Total comprehensive income for the year	**121,133**	376,359
Profit for the year attributable to non-controlling interests	**37,121**	71,111
Total comprehensive income for the year attributable to non-controlling interests	**20,429**	59,970
Dividends paid to non-controlling interests	**28,357**	19,178
Net cash (outflow) inflow from operating activities	**(83,934)**	159,991
Net cash inflow from investing activities	**421,677**	524,903
Net cash outflow from financing activities	**(196,304)**	(77,423)
Net cash inflow	**141,439**	607,471

48. PRINCIPAL SUBSIDIARIES (Continued)

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

Thrive Leap Group

	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Current assets	**4,187,904**	4,092,434
Non-current assets	**3,919,297**	3,929,015
Current liabilities	**(899,860)**	(797,998)
Non-current liabilities	**(237,197)**	(229,605)
Equity attributable to owners of the Company	**2,922,982**	2,836,515
Non-controlling interests	**4,047,162**	4,157,331

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Revenue	**1,609,651**	1,441,437
Share of net loss of associates and joint venture accounted for using the equity method	**(62,004)**	(57,025)
Profit for the year	**465,422**	394,992
Other comprehensive (expense) income for the year	**(435,524)**	397,702
Total comprehensive income for the year	**29,898**	792,694
Profit for the year attributable to non-controlling interests of Thrive Leap Group	**213,194**	272,215
Total comprehensive (expense) income for the year attributable to non-controlling interests	**(71,806)**	541,402
Dividends paid to non-controlling interests	**58,898**	29,577
Net cash (outflow) inflow from operating activities	**(364,266)**	128,228
Net cash inflow from investing activities	**35,105**	41,265
Net cash outflow from financing activities	**(61,383)**	(26,969)
Net cash (outflow) inflow	**(390,544)**	142,524

49. PRINCIPAL ASSOCIATES

			Percentage					
			2024			2023		
Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group	Held by the Company	Held by subsidiaries	Effective interest attributable to the Group	Held by the Company	Held by subsidiaries
			%	%	%	%	%	%
Established and operating in the PRC								
Otis Elevator (China) Investment Company Limited ("**Otis China**") 奧的斯電梯(中國)投資有限公司	Manufacturing and selling of elevators and escalators	US$171,961,000	**16.55**	**-**	**20**	16.55	–	20
Tianjin Institute of Pharmaceutical Research Co. Ltd. ("**Research Institute**") 天津藥物研究院有限公司	Investment holding and research and development of new medicine technology and new products	RMB82,147,001	**-**	**-**	**-**	23.45	–	35
Tianjin TEDA Electric Power Co., Ltd. ("**TEDA Power**")^ 天津泰達電力有限公司	Supply of electricity	RMB1,100,164,686	**47.09**	**-**	**47.09**	47.09	–	47.09
Incorporated in the Cayman Islands, operating in and listed in Hong Kong								
Tianjin Port Development Holdings Limited ("**Tianjin Port**")# 天津港發展控股有限公司	Provision of port services	HK$615,800,000	**21**	**-**	**21**	21	–	21

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

^ Sino-foreign equity joint venture
# Listed on the Main Board of the Stock Exchange

50. LITIGATION

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

50. LITIGATION (Continued)

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

Central Pharmaceutical received the judgement of the trial of first instance (the "**First Judgement**") from the Court on 8 December 2023. According to the First Judgement, (i) the Two-year Agreement and Ten-year Agreement and Supplemental Agreement were cancelled on 26 July 2023; (ii) Central Pharmaceutical is required to refund advance deposit of approximately RMB0.6 million and pay marketing and promotion fee of approximately RMB0.4 million to the Agent within ten days from the date of First Judgement; (iii) the Agent is required to pay Central Pharmaceutical approximately RMB1.4 million for the loss of undelivered goods. All the other claims from the Agent and the other counterclaims from Central Pharmaceutical are rejected by the Court. The Agent was not satisfied with the Judgement and filed a civil petition for appeal to the Higher People's Court of Tianjin on 19 December 2023. Central Pharmaceutical had also lodged a civil petition for appeal on 21 December 2023. In late March 2024, Central Pharmaceutical received the civil judgement from the Higher People's Court of Tianjin for revoking the First Judgement and the case is remanded to the Court for retrial.

In late November 2024, Central Pharmaceutical received the judgement of the remand for retrial (the "**Second Judgement**") from the Court. According to the Second Judgement, (i) the Ten-year Agreement and Supplemental Agreement were cancelled on 26 July 2023; (ii) Central Pharmaceutical is required to refund advance deposit of approximately RMB1.1 million, pay performance bonus of approximately RMB1.2 million, pay an expected future losses of approximately RMB5 million and pay marketing and promotion fee of approximately RMB11.1 million to the Agent within ten days from the date of Second Judgement; (iii) the Agent is required to pay Central Pharmaceutical approximately RMB1.1 million for the loss of undelivered goods. All the other claims from the Agent and the other counterclaims from Central Pharmaceutical are rejected by the Court. Both Central Pharmaceutical and the Agent appealed to revoke the Second Judgment. In the meanwhile, Central Pharmaceutical has lodged a civil petition for appeal and is pending the Higher People's Court of Tianjin hearing.

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

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 28 March 2025.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,916**	3,931
Investment properties		**86,933**	94,150
Interests in subsidiaries		**3,509,780**	3,587,259
Advances to subsidiaries		**5,813,529**	5,906,742
Deferred tax assets		**2,345**	–
		9,422,503	9,592,082
Current assets			
Amount due from ultimate holding company		**183**	305
Other receivables, deposits and prepayments		**6,664**	7,414
Cash and cash equivalents		**860,632**	808,143
		867,479	815,862
Total assets		**10,289,982**	10,407,944
EQUITY			
Owners of the Company			
Share capital		**5,136,285**	5,136,285
Reserves	53	**1,008,083**	1,223,183
Total equity		**6,144,368**	6,359,468

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

	2024 HK$'000	2023 HK$'000
LIABILITIES		
Non-current liabilities		
Bank borrowings	–	1,710,630
Amounts due to subsidiaries	2,182,590	2,187,792
Deferred tax liabilities	–	1,880
Lease liability	3,635	–
	2,186,225	3,900,302
Current liabilities		
Bank borrowings	1,915,519	100,000
Accruals	37,638	44,295
Lease liability	6,232	3,879
	1,959,389	148,174
Total liabilities	4,145,614	4,048,476
Total equity and liabilities	10,289,982	10,407,944
Net current (liabilities) assets	(1,091,910)	667,688
Total assets less current liabilities	8,330,593	10,259,770

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 28 March 2025 and are signed on its behalf by:

Teng Fei
DIRECTOR

Zhai Xinxiang
DIRECTOR

53. RESERVES OF THE COMPANY

	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2023	885,039	532,443	1,417,482
Loss for the year	–	(4,916)	(4,916)
Other comprehensive expense for the year	(93,370)	–	(93,370)
Dividends	–	(96,013)	(96,013)
At 31 December 2023	**791,669**	**431,514**	**1,223,183**
Profit for the year	**–**	**71,121**	**71,121**
Other comprehensive expense for the year	**(136,248)**	**–**	**(136,248)**
Dividends	**–**	**(149,973)**	**(149,973)**
At 31 December 2024	**655,421**	**352,662**	**1,008,083**

At 31 December 2024, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$352,662,000 (2023: HK$431,514,000).

Financial Summary

	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Results					
Revenue	2,960,187	3,540,957	3,705,129	3,338,429	**3,359,416**
Operating (loss) profit less finance costs	(44,098)	125,341	97,043	530,132	**466,778**
Share of net profit of associates and joint venture accounted for using the equity method	505,760	555,655	457,000	552,389	**419,176**
Profit before tax	461,662	680,996	554,043	1,082,521	**885,954**
Tax expense	(76,461)	(41,717)	(49,889)	(99,984)	**(84,789)**
Profit for the year from continuing operations	385,201	639,279	504,154	982,537	**801,165**
Loss for the year from presses and mechanical equipment business	(83,478)	(46,312)	–	–	**–**
Profit for the year	301,723	592,967	504,154	982,537	**801,165**
Attributable to:					
Owners of the Company	294,478	470,379	358,162	635,634	**548,069**
Non-controlling interests	7,245	122,588	145,992	346,903	**253,096**
	301,723	592,967	504,154	982,537	**801,165**
Dividends	83,461	88,289	96,013	96,013	**149,973**
Assets and liabilities					
Total assets	23,879,408	23,457,987	21,266,227	22,292,679	**22,192,849**
Total liabilities	6,838,627	5,582,329	4,836,947	4,779,751	**4,737,556**
Total equity	17,040,781	17,875,658	16,429,280	17,512,928	**17,455,293**