石四藥集團有限公司
SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2005)

2025
Annual Report

CONTENTS

CORPORATE INFORMATION

STOCK CODE

2005

EXECUTIVE DIRECTORS

Mr. Qu Jiguang *(Chairman)*
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung
Ms. Qu Wanrong

NON-EXECUTIVE DIRECTOR

Mr. Liu Wenjun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce

COMPANY SECRETARY

Mr. Chow Hing Yeung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4902-03, 49th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Meng Guo
Mr. Chow Hing Yeung

AUDIT COMMITTEE

Mr. Chow Kwok Wai *(Chairman)*
Mr. Wang Yibing
Mr. Jiang Guangce

REMUNERATION COMMITTEE

Mr. Jiang Guangce *(Chairman)*
Mr. Wang Yibing
Mr. Chow Kwok Wai

NOMINATION COMMITTEE

Mr. Wang Yibing *(Chairman)*
Mr. Chow Kwok Wai
Mr. Jiang Guangce
Ms. Qu Wanrong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong)
Bank of Communications
China CITIC Bank International
China Construction Bank
China Construction Bank (Asia)
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

WEBSITE

http://www.ssygroup.com.hk

CHAIRMAN’S STATEMENT

On behalf of the board of directors (the “Board”) of SSY Group Limited (the “Company”), I hereby present the annual report of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2025.

I. RESULTS AND DIVIDEND DISTRIBUTION

In 2025, under the multiple pressures of shrinking demand, deepening policy and intensifying competition within the industry, the Group’s key economic indicators faced downward pressure unprecedented in recent years and experienced extremely severe challenges. In the face of these difficulties, the Group has turned pressure into motivation, strived for change with an innovative yet pragmatic stance, and done its best to drive the enterprise toward breakthrough and progression.

In 2025, the Group achieved a revenue of approximately Renminbi 3,812 million, representing a decrease of 27.6% as compared to last year. In terms of Hong Kong dollars, the Group’s revenue was approximately HK$4,165 million this year, representing a decrease of 27.8% as compared to last year, with gross profit margin approximately 41.6%, representing a decrease of 8.8 percentage points as compared to last year. The Group achieved a net profit of approximately HK$471 million, representing a decrease of 55.6% as compared to last year.

The Directors resolved to pay a final dividend of HK$0.03 per share on 4 June 2026 to the shareholders in the register of members of the Company on 21 May 2026. Total dividend for the year was HK$0.08 per share, representing a decrease of 54.3% as compared to last year.

II. BUSINESS REVIEW

(1) Sales of Products

In 2025, the pharmaceutical market underwent multidimensional and profound changes, presenting more challenges and difficulties for enterprises in products sales. Facing continuously changing market environment, the Group has been continuously strengthening the implementation of an integrated operation strategy of "bulk pharmaceuticals + preparations", deepening its presence in the market of its dominant products which are intravenous infusion solutions, focusing on increasing the market share of existing and new products for oral preparations and ampoule injections, implementing multiple strategies to expand the sales proportion of high-value-added preparations, and striving to optimize growth market while revitalizing existing market.

During the year, the Group has continuously improved the market accessibility of its products. In 2025, the Group overcame the impact of adverse factors, effectively bridged between the approval and market entry of new products across various regions, and timely participated in the National Centralised Medicines Procurement, its renewal and various drug tendering activities at provincial alliances and local levels. Throughout the year, a total of 42 generic types with 52 specifications were approved for market access. At the same time, throughout the year, the Group participated in over a thousand drug tenders, including renewal of National Centralised Medicines Procurement, provincial and local alliance centralised procurement, and by medical institutions, and achieved outstanding performance with a clear advantage in winning tenders, particularly in the eleventh batch of the National Centralised Medicines Procurement, the Beijing-Tianjin-Hebei "3+N" alliance volume-based procurement, the Sichuan Sodium Chloride Large Volume Injection Alliance volume-based procurement, the provincial alliance volume-based procurement for 66 chemical drugs including Meglumine Adenosine Cyclophosphate, the Guangdong Alliance centralised procurement renewal such as Diclofenac, and the Guangdong Alliance Chronic Diseases Alliance procurement renewal, which further consolidated the market foundation of key regions, and created conditions for improving product accessibility. In addition, the varieties of the Group's products which are included in the National Medical Insurance Catalog continued to expand. Calcium Gluconate and Sodium Chloride Injection is newly added to the new version of the 2025 National Medical Insurance Catalog. Currently, the Group has 201 types of product included in the National Medical Insurance Catalog.

II. **BUSINESS REVIEW** *(Continued)*

(1) **Sales of Products** *(Continued)*

In terms of intravenous infusion solution business and ampoule injection business, they have not met our expectations, but our overall market share remained stable. In 2025, intravenous infusion solution of the Group achieved an overall sales volume of 1,536 million bottles (bags), representing a decrease of 24.5% as compared to last year; among which, the domestic infusion solution achieved an aggregate sales volume of 1,378 million bottles (bags), representing a decrease of 28.2% as compared to last year. Revenue from intravenous infusion solution was HK$2,485 million, representing a decrease of 33.5% as compared to last year. This was mainly due to sluggish demand and price decline in the existing market of basic infusion, as affected by a combination of policy and market factors, which resulted in weaker-than-expected performance. Nevertheless, in 2025, some therapeutic infusion solution products of the Group still achieved growth, among which, sales volume of Levofloxacin and Sodium Chloride Injection reached 7.95 million bags, representing an increase of 35% as compared to last year; sales volume of Hemofiltration Basic Solution was approximately 1.67 million bags, representing an increase of 69% as compared to last year; sales volume of Paracetamol Injection was 16.22 million bottles, representing an increase of 219% as compared to last year. In 2025, sales volume of ampoule injection products reached 346 million pieces, representing an increase of 10.4% as compared to last year, with a slight growth in sales volume. Among which, sales volume of Glucose Injection was 37.74 million pieces, representing an increase of 20% as compared to last year; sales volume of Ipratropium Bromide was 24.95 million pieces, representing an increase of 106% as compared to last year; sales volume of Ambroxol Hydrochloride Injection was 79.74 million pieces, representing an increase of 22% as compared to last year; sales volume of Sterile Water for Injection was 30.70 million pieces, representing an increase of 138% as compared to last year; sales volume of Propofol Medium and Long Chain Fat Emulsion Injection was 1.37 million pieces, representing an increase of 123% as compared to last year; sales volume of Etomidate Medium and Long Chain Fat Emulsion Injection was 3.25 million pieces, representing an increase of 377% as compared to last year.

In terms of oral preparations, the production and sales scale achieved steady growth. By proactively adjusting market layout and stepping up professional promotion, the Group was able to participate in centralised procurement and strengthen strategic cooperation with the top 100 chain pharmacies. This approach accelerated the enhancement of its oral preparation products' brand influence and drove market expansion and share growth through multiple dimensions. In 2025, the overall oral preparations products of the Group achieved an overall sales volume of 2,072 million tablets (pieces, bags), representing an increase of 15% as compared to last year; among which, the domestic oral preparations products achieved a sales volume of 1,936 million tablets (pieces, bags), representing an increase of approximately 9% as compared to last year. Oral preparation products such as Betahistine Mesilate Tablets, Felodipine Sustained Release Tablets, Rosuvastatin Calcium Tablets, Gliclazide Tablets, and Valsartan and Amlodipine Tablets (I) achieved relatively fast growth. Among which, sales volume of Betahistine Mesilate Tablets was 123.48 million tablets, representing an increase of 27% as compared to last year; sales volume of Rosuvastatin Calcium Tablets was 292.13 million tablets, representing an increase of approximately 53% as compared to last year; sales volume of Felodipine Sustained Release Tablets was 221.95 million tablets, representing an increase of approximately 31% as compared to last year.

II. BUSINESS REVIEW *(Continued)*

(1) Sales of Products *(Continued)*

In terms of bulk pharmaceuticals business, the overall sales volume has not met our expectations as affected by domestic and international market and pricing factors. In 2025, the constraints such as weak demand in overseas markets and declining product prices remained fundamentally unchanged, export revenue of bulk pharmaceuticals reached approximately HK$494 million, representing a decrease of 8.2% as compared to last year. Among them, caffeine were affected by U.S. tariffs and global inflation, resulting in a drop of export sales volume of approximately 1,100 tons, representing a decrease of 24% compared to the previous year. However, exports of certain bulk pharmaceuticals have seen growth, export sales volume of Aminophylline reached 16 tons, representing an increase of 85% compared to last year; export sales volume of Theophylline reached 543 tons, representing an increase of 178% compared to last year. As Guangxiang Pharmaceutical Co., Ltd. (a subsidiary of the Group) establishes overseas branches, the bulk pharmaceuticals business is expected to bottom out and stabilize followed by recovery growth with economic conditions picking up. Domestic revenue of bulk pharmaceuticals reached approximately HK$184 million, representing a decrease of 25% as compared to last year; with sales volume of bulk pharmaceuticals reaching 1,126 tons, representing an increase of 3% as compared to last year. Among which, sales volume of Metronidazole reached 282 tons, representing an increase of 58% compared to last year; sales volume of Hydroxyethyl Starch reached 93 tons, representing an increase of 77% compared to last year.

In terms of medical materials, production and sales have achieved steady improvements. During the year, the Group continued to increase investment in the research and development of new medical material products, advancing both product development and market expansion in a coordinated manner. Through precise market positioning and enhanced product competitiveness, market penetration rates continued to improve. In 2025, revenue of Jiangsu Best New Medical Material Co., Ltd. external to the Group reached approximately HK$189 million, representing an increase of HK$11.16 million and a growth of 0.6% compared to last year. The Group has continuously deepened cooperation with leading domestic pharmaceutical enterprises and rapidly advanced the layout of overseas markets, enabling the market penetration capability and coverage of key medical material products such as infusion soft tubes and multi-layer co-extrusion films to be steadily enhanced. Products including butyl rubber pistons for pre-filled syringes, laminated series butyl rubber stoppers, bioprocessing films, specialized films for peritoneal dialysis bags, and non-PVC infusion soft tubes have become important drivers of growth.

In terms of export of preparations, the growth continues to be steady. In 2025, export volume of infusion solutions reached 158.36 million bottles (bags), representing an increase of approximately 35% compared to last year. Export revenue of preparations reached HK$239.55 million, representing an increase of approximately 35% compared to last year, with sales of ampoule injections reached 28.59 million pieces and oral preparations reached 136 million tablets. Meanwhile, the Group developed 45 new customers, with preparation products exported to over 100 countries and regions worldwide. In 2025, the Group obtained 74 product registration certificates in 20 countries including the Philippines and Nicaragua. To date, the Group has accumulated 513 product registration certificates in nearly a hundred countries. In 2025, the Group has passed official GMP audits and clients' GMP audits in more than 10 countries, including Rwanda and Uzbekistan.

II. **BUSINESS REVIEW** *(Continued)*

(2) Research and Development of New Products

During the year, the Group has continuously expanded the development of new products in areas such as specialised generic drugs, orphan drugs, pediatric drugs, innovative drugs, bulk pharmaceuticals and Chinese medicine, and maintained a leading position in the industry in terms of the number of submissions and approvals for domestic entities.

Research and development of new products has achieved significant results. The Group focuses on market demand and strives to strategically deploy in the fields of antiviral, antibacterial, neurological system, cardiovascular, digestive, anesthesia and analgesia, and anti-tumor products. During the year, the Group obtained 110 production approvals (including national supplemental applications), including 86 for preparations and 24 for bulk pharmaceuticals, and obtained 4 clinical trial approvals. Among them, 24 specifications were among the first three approvals, in particular the Paracetamol Granules and Urapidil Sustained-Release Capsules being the first and exclusive of passing the evaluation; Nicardipine Hydrochloride & Sodium Chloride Injection and Composite Potassium Hydrogen Phosphate Injection being the first of passing the evaluation; Timolol Maleate Eye Drops being the first approved and the Group's first ophthalmic preparation in unit dose packaging. In addition, the Group's self-developed new pediatric product, Voriconazole for Oral Suspension (the broad-spectrum triazole antifungal agents), has been included in the National Health Commission's "the Third Batch of Encouraged Research and Development List of Pediatric Drugs".

During the year, the Group submitted 120 projects for product approvals (including national supplemental applications), including 90 for preparations and 30 for bulk pharmaceuticals. Among them, there were 24 product specifications being the first three submitted applications, in particular Methocarbamol Tablets, a muscle relaxant drug, being the first submitted. The continuous enrichment of the product development pipeline strongly promotes the Group's improvement in quality and efficiency and its industrial upgrading.

II. BUSINESS REVIEW *(Continued)*

(2) Research and Development of New Products *(Continued)*

In terms of research and development of innovative drugs, a series of progress has been made. The Group's self-developed Type I innovative drug SYN045 has received approval for clinical trials and is undergoing Phase I clinical trials currently. The completed single-dose and multiple-dose escalation studies showed no serious adverse reactions, indicating good safety. Several Type I innovative drug projects at preclinical stage are advancing simultaneously, demonstrating excellent preclinical potential. For example, the CX24005 project for treating neurological diseases such as epilepsy has completed screening of multiple series of compounds, with self-designed compounds showing outstanding target activity–efficacious doses in animal models were only one-tenth of those of the reference drug, with an eight-fold improvement in bioavailability. The project has now entered the PCC (Preclinical Candidate Compound) selection stage, with confirmation to be completed in May 2026. The relevant patents have been filed with the China National Intellectual Property Administration. The CX25001 project for analgesia is currently in the lead optimization stage, target activity was improved 4-fold relative to the positive control compound, with favorable druggability. The PCC is expected to be identified in August 2026.

In terms of the development of complex preparation drugs, various tasks had orderly progresses through the establishment of specialised technical platforms. Platforms for therapeutic emulsion technology, liposome technology, and inhaled corticosteroid suspension formulation technology have been successively established. Currently, Propofol Medium and Long Chain Fat Emulsion Injection, Etomidate Medium and Long Chain Fat Emulsion Injection, Progesterone Injection (II) have achieved large-scale production, while Lipid-Soluble Vitamin Injection (I) and (II) are expected to be the first to receive approval in 2026. Letermovir Injection and Budesonide Suspension for Inhalation are under review and approval process. Pilot-scale study on Doxorubicin Hydrochloride Liposome Injection has been completed, with key process technologies and quality research standards already mastered. Propofol Injectable Emulsion, Flurbiprofen Axetil Injection, Amphotericin B Liposome for Injection, Beclomethasone Dipropionate Inhalation Suspension complex formulation are currently in the research phase. With continuous optimization in the research & development field and ongoing refinement of product chain, the Group's influence in the market of complex preparation products will be further enhanced.

Consistency evaluation of generic drugs has fruitful results. During the year, Vitamin B6 Injection and Lincomycin Hydrochloride for Injection have passed the consistency evaluation. Vitamin B12 Injection, Diltiazem Hydrochloride Tablets, and Azithromycin Dispersible Tablets have been submitted for the consistency evaluation. By the end of 2025, the Group's products that have passed the consistency evaluation or been regarded as passing the consistency evaluation have cumulatively reached 166 types with 217 specifications. The increasingly rich matrix of products that passed consistency evaluation has created favorable conditions for optimizing product mix, exploring diversified markets, and enhancing product accessibility.

II. BUSINESS REVIEW *(Continued)*

(2) Research and Development of New Products *(Continued)*

The effectiveness of intellectual property rights protection efforts is remarkable. During the year, the Group applied for 71 patents and was authorised for 30 patents. The Group has cumulatively applied for 591 patents and been authorized for 377 patents. Currently, the Group owns 345 active patents, including 190 invention patents.

(3) Development of Infrastructure Projects

The Group accelerates the efficiency of new product industrialization through high-quality project development. During the year, the Group coordinated the progress of ongoing foundational construction projects. Among them, the first phase of high-end preparation industrialization project has been fully completed. For the Hebei Guolong Pharmaceutical Integrated and Innovative Pharmaceutical Development Demonstration Project, the raw material warehouse and power workshop have been put into use in August 2025, and its main steel structure of the multi-layer warehouse has been completed. The new specialised oral preparation digitalization production line project was completed in August 2025. The international production line of injections project was ready for trial production in December 2025. The production line of sterile lyophilized powder for injection in High-Tech Industrial Development Zone commenced construction in December 2025.

III. PROSPECTS FOR DEVELOPMENT

Currently, the effects brought by changes in external environment continue to deepen, and the contradiction between strong supply and weak demand domestically is becoming increasingly prominent, so there are still more risks and challenges for this new year. Facing difficulties and challenges, the Group will confront them with confidence, leverage its strengths, and rise to the challenges. We will make coordinated efforts to optimize new market and revitalize existing market, comprehensively improve resource allocation efficiency, promote transition between new and old growth drivers in a coordinated manner, and develop new quality productivity tailored to local conditions. We will continuously promote the deep integration of the innovation chain, supply chain, and value chain, facilitate the domestic-international dual circulation, and achieve the goals of steady expectations and solid growth.

1. The Group will establish and improve operational mechanisms that better adapt to current policies and market conditions. Focusing on market, quality and cost control, we will carry on traditional advantageous business forms to actively plan and establish business models which take into account both innovation and compliance, continuously optimizing organizational structure and management mechanisms, expanding business scope, and strengthening business capabilities. We will actively prevent and mitigate market risks (such as involution) and external shocks, driving the improvement of research & development and production efficiency from the marketing end, further reducing costs, steadying expectations, stimulating vitality and continuously improving operational quality of the Group.

III. PROSPECTS FOR DEVELOPMENT *(Continued)*

2. On the preparations business, the Group will focus on the difficulties, blockages, and bottlenecks in preparations operations, establish and implement a differentiated assessment mechanism, quantify tasks down to individuals and assign responsibilities down to individuals. While further expanding the market share of basic infusion solutions in grade hospitals, we will extend terminal market downward and step up efforts to develop primary community medical institutions, focusing on stabilizing existing market, expanding new market, and improving quality. We will prioritize volume growth for large-volume and therapeutic products such as peritoneal dialysis solution and hemofiltration solutions, ensuring sustained growth in infusion production and sales. The approval of dual-chamber dialysate products in the second half of 2026 will further solidify the Group's leading position in the dialysis field. Meanwhile, leveraging the Group's advantages in selection results of centralised procurement projects–including the eleventh batch of National Centralised Medicines Procurement, renewal of the first to the eighth batches of National Centralised Medicines Procurement, the Guangdong Alliance, and the provincial alliance volume-based procurement for 66 chemical drugs including Meglumine Adenosine Cyclophosphate–we will accelerate and expand product market coverage. Capitalizing on the Group's increasingly enriched product portfolio, we will strengthen strategic cooperation with chain pharmacies, actively embrace internet marketing, explore new retail business models, standardize and leverage the function of online trading platforms, and actively capture the terminal market. We will deeply tap the market potential of new products in oral preparations, ampoule injections, and lyophilized powder for injections etc., promoting the continuous expansion of the sales proportion of non-infusion solutions products. Relying on international certification as foundation, we will promote the Group's preparations export business to "set sail overseas". We will strengthen compliance in operations, implement customer credit management, increase efforts in accounts receivable collection, so as to avoid operational risks.

3. On the bulk pharmaceuticals business, the Group will continuously optimize the product mix, accelerate the implementation and transformation of new high-value-added specialized products, and pursue integrated development toward high-end, intelligent, and green manufacturing to continuously empower the resilience and vitality of bulk pharmaceuticals development. We will focus on the export of commodity bulk pharmaceuticals such as caffeine, while stabilizing the customer base in regions including the Americas, Europe, South Asia, and Southeast Asia, leveraging the role of Guangxiang Pharmaceutical's branches to further expand sales channels for core products such as caffeine and azithromycin. Meanwhile, the Group will strengthen the development efforts in domestic customers, broaden the associated review mechanism with downstream preparation enterprises, and explore the specialised bulk pharmaceuticals market through multiple channels, striving to achieve new breakthroughs in production and sales.

III. PROSPECTS FOR DEVELOPMENT *(Continued)*

4. The Group will continuously promote enterprise innovation. The Group will firmly adhere to the strategy of "combination of generic and innovative drugs" in R&D, center on the integrated development of "medical materials + bulk pharmaceuticals + preparations + AI + enablement", accelerate the pipeline layout and development of innovative drugs, improved new drugs, specialised generic drugs, high-end complex preparations, as well as specialised high-end bulk pharmaceuticals and medical materials, and continuously drive R&D innovation. With a focus on building a modernized industrial system, we will strengthen foundational innovation capabilities, enhance the innovation drug R&D team building, and lead the enterprise's R&D innovation to accelerate transformation from generic drugs to innovative drugs. By fully leveraging the collaborative innovation mechanism of "industry-academia-research-application" and new technological means such as "AI+", we will continuously optimise the innovation ecosystem and drive the transformation of scientific research paradigms through artificial intelligence. While maintaining advantages in R&D approval and application efficiency, we will strengthen whole-process quality management for the technology transfer and transformation of new products, ensure that innovation achievements are efficiently and stably transformed into actual productivity, continuously enhance transformation efficiency and market competitiveness, and enable innovation achievements to continuously empower the enterprise to ascend to the mid-to-high end of the value chain.

5. The Group will systematically advance the construction progress of new and ongoing projects. Based on the Group's industrial development and scale enhancement, with the industrialization of innovative achievements as the foothold, centering on R&D innovation milestones, focusing on the organic integration of results transformation and digital transformation, we will accelerate the construction progress of ongoing and new projects. The production line of sterile lyophilized powder for injection project in High-Tech Industrial Development Zone will strive for completion by the end of May 2026, and the production line of sterile powder project in Development Zone commenced construction in March 2026 and is expected to commence trial production in September 2026, laying the hardware foundation for new products industrialisation and capacity enhancement.

In addition, the Group will leverage its own strengths to actively seek opportunities for mergers and acquisitions as well as investments in the pharmaceutical industry, with the aim of enhancing and strengthening the supply chain, creating new growth poles, and reinforcing the Group's position in the product and capital markets to increase the return on investment.

Despite the tough road ahead, in this new year, the Group will stick to its new targets, push forward to rise to the challenges, and strive to implement and carry out numerous business tasks of year 2026, so as to bring satisfactory returns to our investors with new results in development by innovation.

I would like to take this opportunity to express our sincere gratitude to our investors and all staff of the Group for their support in the development of the Group.

Qu Jiguang
Chairman

27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the research, development, manufacturing and selling of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection to hospitals and distributors, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China (the "PRC"), and sells to customers mainly in the PRC.

For the year ended 31 December 2025, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "BUSINESS REVIEW" and in this Management Discussion and Analysis under section headed "FINANCIAL PERFORMANCE REVIEW" respectively. The future development in the Group's business is discussed in the Chairman's statement under section headed "PROSPECTS FOR DEVELOPMENT".

Principal risks and uncertainties

As a pharmaceutical enterprise in the PRC, the Group faces certain risks and uncertainties which affect its business operation and performance, some of which are inherent to pharmaceutical industry such as government policies on pharmaceutical enterprises and pharmaceutical products in the PRC.

The Group's sales and profits in finished medicines are affected by the selection results and tender prices of our products in the National Centralised Medicines Procurement (the "National Centralised Procurement") and other forms of drug tenders in the PRC. To address such risk, the Group has a designated team responsible for these drug tenders including the National Centralised Procurement. The Group has also obtained registration approvals for more products which have passed or been regarded as passing the consistency evaluations and thus qualified for these drug tenders including the National Centralised Procurement. On the other hand, the Group has committed in product diversification in recent years by introducing new products in bulk pharmaceuticals and medical materials. The Group will keep continuous attention on the change of the relevant situation and make timely responses.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Chairman Statement and note 28 to the financial statements.

Relationships with stakeholders

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees which is periodically reviewed with reference to industry practice. Apart from social insurance and in–house training programmes, other kinds of remuneration such as discretionary bonuses, share options and grant of shares may be awarded to employees according to the assessment of individual performance.

BUSINESS REVIEW *(Continued)*

Relationships with stakeholders *(Continued)*

The Group also understands that it is important to maintain good relationship with its suppliers, customers and the PRC's group purchasing organisations ("GPO(s)") to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. The Group is aware of changing market conditions regarding the drug pricing practice in the PRC and the impact on the stakeholders of the drug supply industry. During the last year ended 31 December 2024, for one tender of Bromhexine Hydrochloride Injection awarded under the National Centralised Procurement, the Group received notices from some provincial GPOs which ranked the credit rating of such tender as under serious breach of trust (details are set out in the Company's announcement dated 14 August 2024) and a public statement published by a national GPO which put Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma", a subsidiary of the Company) onto the "List of Contravention of Provision" and suspended the subsidiary for eligibility for participating in the National Centralised Procurement for a period of six months ended 20 February 2025 (details are set out in the Company's announcement dated 21 August 2024). Several customers commenced legal proceedings against Shijiazhuang No. 4 Pharma and one of its subsidiaries in Anhui, the PRC for claims in a total amount of approximately RMB33.5 million which has been fully recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the last year ended 31 December 2024. For the year ended 31 December 2025, no further provision for claims is required in the Group's consolidated financial statements. The Company considers that these incidents and the claims have had no material adverse effect on the operations or financial position of the Group as a whole. The Company will continue to strengthen its compliance standards, including but not limited to monitoring and control of its operational practices under its established anti-corruption policies, so as to ensure that the operations of the Group will be guided by the principles of fairness and integrity. The Company will continue to watch out for any further development of the changing market conditions in the PRC, and will take proactive measures to address any possible adverse impacts that the changing market conditions may bring.

During the year ended 31 December 2025 and up to date of this report, there was no material and significant dispute between the Group and its suppliers, customers and/or GPOs. Please refer details of the Group's relationships with employees, suppliers and customers to the respective sections in the Environmental, Social and Governance Report.

Compliance with laws and regulations

During the year ended 31 December 2025 and up to date of this report, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Environmental policies and performance

As a pharmaceutical enterprise, the Group understand the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on the society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance ("ESG") aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations. Please refer details of the Group's environmental policies and performance to the respective sections in the Environmental, Social and Governance Report.

FINANCIAL PERFORMANCE REVIEW

Revenue

	2025		2024		
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue	Increase/ (Decrease)
	HK$'000	**%**	*HK$'000*	%	%
Intravenous infusion solution and others	**3,976,192**	**95.5**	5,585,094	96.7	(28.8)
(Including: Non-PVC soft bag & upright soft bag infusion solution	**1,742,596**	**41.9**	2,763,135	47.8	(36.9)
PP plastic bottle infusion solution	**559,268**	**13.4**	792,329	13.7	(29.4)
Glass bottle infusion solution	**183,559**	**4.4**	179,225	3.1	2.4
Ampoule injection	**287,489**	**6.9**	500,950	8.7	(42.6)
Bulk pharmaceuticals	**678,536**	**16.3**	784,583	13.6	(13.5)
Oral preparations	**454,772**	**10.9**	501,695	8.7	(9.4)
Others)	**69,972**	**1.7**	63,177	1.1	10.8
Medical materials	**189,273**	**4.5**	188,157	3.3	0.6
Total	**4,165,465**	**100**	5,773,251	100	(27.8)

The Group's intravenous infusion solution and ampoule injection products are mainly manufactured and sold by Shijiazhuang No. 4 Pharma, a wholly-owned subsidiary in the Group. There are different forms of packing in intravenous infusion solution products, including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle, while ampoule injection products are mainly small liquid injections in forms of PP plastic and glass. The Group's bulk pharmaceuticals products are mainly manufactured and sold by Hebei Guolong Pharmaceutical Co., Ltd. ("Hebei Guolong"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang") and Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical"), all being subsidiaries in the Group. The Group's medical materials are mainly manufactured and sold by Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), a subsidiary in the Group.

Majority of the Group's sales are conducted in the PRC and are denominated in Renminbi ("RMB"). In terms of Hong Kong dollars, revenue of the Group decreased to HK$4,165,465,000 for the year ended 31 December 2025 (2024: HK$5,773,251,000), representing a decrease of 27.8% on a year-to-year basis, mainly due to a drop in sales volume of intravenous infusion ("IV") solution and revenue from ampoule injections.

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Revenue *(Continued)*

For the year ended 31 December 2025, the growth of terminal sales volume of medicines has been affected by the absence of large-scale epidemic in the PRC and the control of medical insurance cost. There was an overall volume drop of 24.5% in the Group's IV solution for the year ended 31 December 2025 as compared with last year. Furthermore, the expansion of various forms of volume-based procurement (including the National Centralised Procurement and local alliance centralised procurement) and the intensification of domestic and international industry competition have brought about continuing price pressure. As a result, total revenue from IV solution accounted for HK$2,485,423,000 (2024: HK$3,734,689,000), representing a decrease of 33.5% on a year-to-year basis. Among which, revenue from Non-PVC Soft Bag infusion solution and Upright Soft Bag infusion solution was HK$1,183,690,000 and HK$558,906,000 respectively, totalling HK$1,742,596,000, representing 70.1% of the total revenue from IV solution and a decrease of 36.9% compared with last year; revenue from PP Plastic Bottle infusion solution was HK$559,268,000, representing 22.5% of the total revenue from IV solution and a decrease of 29.4% compared with last year; revenue from Glass Bottle infusion solution was HK$183,559,000, representing 7.4% of the total revenue from IV solution and an increase of 2.4% compared with last year.

For the year ended 31 December 2025, revenue from ampoule injections accounted for HK$287,489,000 (2024: HK$500,950,000). Despite of an overall increase in sales volume of ampoule products, revenue dropped by 42.6% as compared with last year mainly due to drop in average selling price of ampoule products and revenue from Bromehexine Hydrochloride Injection which was no longer conducted through the National Centralised Procurement. Revenue from bulk pharmaceuticals accounted for HK$678,536,000 (2024: HK$784,583,000), representing a decrease of 13.5% as compared with last year mainly because sales volume and market price of caffein have not yet fully recovered from their low level. Revenue from oral preparations accounted for HK$454,772,000 (2024: HK$501,695,000), representing a decrease of 9.4% as compared to last year which was caused by drop in sales of old products but partly offset by growth in sales of new products.

For the year ended 31 December 2025, revenue from medical materials products contributed HK$189,273,000 (2024: HK$188,157,000) to the Group, representing an increase of 0.6% as compared with last year mainly contributed by sales of new products. The Group will keep focusing its production in high quality intravenous infusion solution products such as therapeutic infusion solution. The Group will also keep introducing new products in ampoule injections, bulk pharmaceuticals, oral preparations and medical materials to drive revenue growth for the future.

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Cost of Sales

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. For the year ended 31 December 2025, the Group's cost of sales decreased by 15.0% to HK$2,434,460,000 (2024: HK$2,864,989,000) under such cost management processes and also as a result of drop in overall sales volume of IV as compared to last year. The cost of direct materials, direct labour and other costs represented approximately 63.3%, 14.1% and 22.6% of the total cost of sales respectively for the year ended 31 December 2025 while their comparative percentages for 2024 were 60.7%, 14.2% and 25.1% respectively.

Gross Profit Margin

For the year ended 31 December 2025, the Group recorded a total gross profit of HK$1,731,005,000 (2024: HK$2,908,262,000). As compared with last year, there were a larger proportion of revenue from finished medicines being sold through centralised procurement and drop in average selling prices of existing IV solution and ampoule injections products during the year, but meanwhile they contributed to the reduction of selling and distribution costs. As a result, overall gross profit margin decreased by 8.8 percentage points to 41.6% for the year ended 31 December 2025 from 50.4% of last year.

Other Net Income

For the year ended 31 December 2025, the Group's other net income increased to HK$214,416,000 (2024: HK$160,943,000) which mainly represented government grants.

Selling and Distribution Costs

For the year ended 31 December 2025, selling and distribution costs amounted to approximately HK$736,170,000 (2024: HK$1,143,425,000), which was mainly consisted of advertising, marketing and promotion expenses of approximately HK$304,352,000 (2024: HK$650,184,000), transportation cost of approximately HK$258,338,000 (2024: HK$297,799,000) as well as salary expenses for sales and marketing staff of approximately HK$98,364,000 (2024: HK$106,531,000).

Selling and distribution costs significantly reduced by 35.6% for the year ended 31 December 2025 as compared with last year. During the year of 2025, the Group has keep optimizing the efficiency of its sales channel, and a higher proportion of finished medicines were sold through centralised procurement, which both resulted in a significant drop in advertising, marketing and promotion expenses from last year. Also, there was a drop in overall sales volume of IV solution from last year.

General and Administrative Expenses

For the year ended 31 December 2025, general and administrative expenses was approximately HK$340,436,000 (2024: HK$299,210,000) which mainly comprised salaries expenses for administrative staff of approximately HK$129,529,000 (2024: HK$147,297,000), depreciation and amortisation expenses of approximately HK$74,146,000 (2024: HK$62,139,000) as well as utility expenses of approximately HK$20,083,000 (2024: HK$20,715,000).

There was an increase of 13.8% in general and administrative expenses for the year ended 31 December 2025 as compared with last year mainly due to increase in depreciation, amortisation and miscellaneous expenses of general administrative nature.

FINANCIAL PERFORMANCE REVIEW *(Continued)*

Research and Development Costs

For the year ended 31 December 2025, research and development ("R&D") costs was approximately HK$244,028,000 (2024: HK$265,969,000), which comprised salaries expenses for R&D staff of approximately HK$90,986,000 (2024: HK$113,749,000), depreciation and amortisation expenses of approximately HK$35,478,000 (2024: HK$33,896,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK$117,564,000 (2024: HK$118,324,000).

R&D costs decreased by 8.2% for the year ended 31 December 2025 as compared with last year mainly due to drop in salaries expenses for R&D staff.

Profit from Operations

For the year ended 31 December 2025, the Group's profit from operations amounted to HK$628,912,000, representing a decrease of 53.2% as compared to HK$1,343,500,000 of last year, and the Group's operating profit margin (defined as profit from operations divided by total revenue) was lowered to 15.1% as compared to 23.3% of last year mainly driven by a lower gross profit margin as compared to last year.

Net Finance Costs

The Group's net finance costs, which represented mainly interest expenses of bank borrowings and foreign exchange loss less interest income on bank deposits, slightly decreased by 0.2% to HK$88,194,000 for the year ended 31 December 2025 (2024: HK$88,390,000).

Income Tax Expense

The Group's subsidiaries, namely Shijiazhuang No. 4 Pharma, Jiangsu Best, Hebei Guangxiang, Hebei Guolong and Youyi Chemical have been certified as High and New Technology Enterprises and thus subject to a reduced corporate income tax of 15% in the PRC for year 2025. For the year ended 31 December 2025, the income tax expense of the Group decreased by 61.1% to HK$80,235,000 (2024: HK$205,995,000) mainly due to a lower profit before taxation of the Group.

Profit Attributable to Equity Shareholders

For the year ended 31 December 2025, profit attributable to equity shareholders of the Company decreased by 55.6% to HK$470,637,000 (2024: HK$1,061,150,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) decreased from 18.4% last year to 11.3% this year.

Dividends

For the year ended 31 December 2025, an interim dividend of HK$0.05 per share (2024: HK$0.08 per share) was declared on 28 August 2025 and paid on 26 September 2025. The Board recommended a final dividend of HK$0.03 per share (2024: HK$0.095 per share) which, together with the interim dividend, will result in total dividends of HK$0.08 per share for the year ended 31 December 2025 (2024: HK$0.175 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the projected operating cash flow is insufficient to meet the capital requirements.

As at 31 December 2025, the Group's cash and cash equivalents increased to HK$1,690,577,000 (31 December 2024: HK$1,257,702,000), mostly were denominated in RMB.

As at 31 December 2025, the Group's bank borrowings increased to HK$4,010,800,000 (31 December 2024: HK$3,635,931,000), comprising HK$3,064,944,000 (31 December 2024: HK$2,435,487,000) of borrowings denominated in RMB and HK$945,856,000 (31 December 2024: HK$1,200,444,000) in Hong Kong dollars. Management considers an increase in onshore bank borrowings will benefit the Group as whole due to a lower average bank borrowings interest rate as compared to last year. As at 31 December 2025, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates. Please refer to note 21 to the financial statements for details of repayment, security and fulfilment of covenants.

Gearing ratio (defined as net debt, which is bank borrowings and lease liabilities less cash and cash equivalents, divided by total capital less non-controlling interests) was 24.1% as at 31 December 2025 which was lower than 24.8% as at 31 December 2024. Current ratio (defined as current assets divided by current liabilities) decreased from 2.78 as at 31 December 2024 to 1.89 as at 31 December 2025 due to increase in bank borrowings repayable within one year in accordance with repayment schedule.

As at 31 December 2025, the Group's total capital commitments outstanding but not provided for was HK$342,895,000 (31 December 2024: HK$561,838,000).

Overall, the Group continued to maintain a sound liquidity position, a sufficient working capital level and a low-risk capital structure in view of the Group's operation needs and capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had approximately 5,500 employees (31 December 2024: approximately 6,100 employees), most of whom were based in the PRC. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options under the share option schemes of the Company and shares granted under the Restricted Share Award Scheme may be awarded to eligible employees according to the assessment of individual performance. Please refer details of the share option schemes of the Company and the Restricted Share Award Scheme to the respective sections in the Report of the Directors.

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the share option schemes of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company.

EMPLOYEES AND REMUNERATION POLICY *(Continued)*

The total remuneration cost incurred by the Group for year ended 31 December 2025 was approximately HK$662,596,000 (2024: HK$774,835,000), representing a decrease of 14.5% as compared with last year mainly due to a decreased number of employees.

PLEDGE OF ASSETS

As at 31 December 2025, certain bank deposits of HK$7,678,000 (31 December 2024: HK$84,152,000) were pledged for letters of credit facilities and bank acceptance notes issued by the Group, and bank deposits of HK$14,016,000 (31 December 2024: HK$19,019,000) were the restricted cash. As at 31 December 2025 and 31 December 2024, none of the Group's right-of-use assets were pledged as collateral for the Group's bank borrowings.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB. Except for the foreign currency translation risk arising from the translation into Hong Kong dollars for the financial statements of subsidiaries with the functional currencies of RMB, the Group does not expect any materially adverse effects of the exchange rate fluctuation. Hence, no financial instrument for hedging was employed. Nevertheless, the Group is closely monitoring the financial market and would consider appropriate measures if required.

As at the dates below, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2024	0.90622
31 December 2024	0.92604
31 December 2025	0.90322

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiary or associate for the year ended 31 December 2025.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any significant contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Qu Jiguang (曲繼廣先生), aged 71, an executive director, the chairman of the Board and chief executive officer of the Company. Mr. Qu is responsible for the strategic planning, business development and overall management of the Group. Mr. Qu is also the chief executive officer of the Company who is responsible to lead the management implementing the business strategies of the Group. Mr. Qu joined Shijiazhuang No. 1 Pharmaceutical Factory ("No. 1 Pharma") as deputy factory manager in 1995. He later became a director and the vice general manager of Shijiazhuang Pharmaceutical Group. From December 2004, Mr. Qu has been the chairman of New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, a wholly owned subsidiary of the Company ("New Orient"), the chairman of China Pharmaceutical Company Limited, a controlling shareholder of the Company ("CPCL") and the chairman of CMP Group Limited ("CMP"). Mr. Qu was an independent nonexecutive Director of the Company and was an executive director of China Pharmaceutical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from February 2001 to September 2004. Mr. Qu graduated from Tianjin Finance College with a postgraduate degree in Finance in 1999. He is also an economist accredited by The Ministry of Personnel of China and a senior engineer accredited by Hebei Provincial Department of Human Resources and Social Security. Mr. Qu has over 40 years of experience in pharmaceutical industry. He currently serves as a senior vice president of the China Pharmaceutical Industry Association (中國化學製藥工業協會).

Mr. Su Xuejun (蘇學軍先生), aged 58, an executive director. Mr. Su is currently the chairman of the Board of Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), the Company's indirectly wholly-owned subsidiary. Mr. Su focuses in the pharmaceutical market development, operations and management. He has extensive understanding and experience in sales and marketing as well as the policy in pharmaceutical related industries. Mr. Su joined No.1 Pharma as assistant to factory manager in 1990. And afterwards he served as deputy general manager of a subsidiary of the Shijiazhuang Pharmaceutical Group selling preparations, deputy general manager of Shijiazhuang No.4 Pharma and general manager of Shijiazhuang No.4 Pharma. Since January 2007, Mr. Su acts as executive director of Shijiazhuang No.4 Pharma and New Orient. Mr. Su graduated from Hebei Normal University, majoring in biology, with a bachelor's degree.

Mr. Meng Guo (孟國先生), aged 52, an executive director. Mr. Meng is currently the deputy general manager of the Company, a director of New Orient and Shijiazhuang No. 4 Pharma and Hebei Guolong Pharmaceutical Co., Ltd, all being wholly-owned subsidiaries of the Company, and the executive president in charge of finance and information-based operations of Shijiazhuang No. 4. After joining Shijiazhuang No. 4 Pharma in year 2001, Mr. Meng held the positions of deputy head and manager of the finance department of Shijiazhuang No. 4 Pharma, and has around 30 years of experience in corporate finance, tax and information technology management. Mr. Meng has consistently participated in investors' relations duties of the Company. Mr. Meng holds a Bachelor's degree in Mathematics from Lanzhou University and a Master's degree in Software Engineering from Beijing University of Technology. He also holds the qualification of senior accountant in the People's Republic of China.

Mr. Chow Hing Yeung (周興揚先生), aged 47, an executive director. Mr. Chow is currently the Chief Financial Officer and Company Secretary of the Company. Mr. Chow obtained a Bachelor's degree of Business Administration from the Chinese University of Hong Kong. Before joining the Company in August 2011, he worked in PricewaterhouseCoopers and financial department of listed companies in Hong Kong, and has over 20 years of experience in audit, accounting and financial management. Mr. Chow has consistently participated in investors' relations duties of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Qu Wanrong (曲婉蓉女士), aged 42, an executive director. Ms. Qu is currently the deputy general manager of the Company, responsible for public relations and corporate communications. Ms. Qu graduated from Massey University of New Zealand with a Bachelor of Business Studies degree. Before joining the Company in 2014, she worked as an auditor at PwC China from 2012 to 2013. Ms. Qu has extensive experience in financial audit, public relations and corporate communications. She is a daughter of Mr. Qu Jiguang (the executive director, the chairman of the Board and chief executive officer of the Company).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive director

Mr. Liu Wenjun (劉文軍先生), aged 54, a non-executive Director. Mr. Liu currently serves as the general manager of the Xindu Base of Sichuan Kelun Pharmaceutical Company Limited ("Sichuan Kelun"), a position he has taken since 2013. He was the general manager of Kunming Nanjiang Pharmaceutical Co., Ltd. (昆明南疆製藥有限公司) from 2005 to 2013. He served as a workshop supervisor of Sichuan Kelun from 2002 to 2005, and a technician at the Sichuan Antibiotics Laboratory of the National Medical Products Administration (國家醫藥管理局四川抗菌素研究所) from 1996 to 2002. Mr. Liu graduated from Chengdu University of Traditional Chinese Medicine with a Bachelor of Science degree and holds the qualification of a Senior Engineer in the People's Republic of China.

Independent non-executive directors

Mr. Wang Yibing (王亦兵先生), aged 63, an independent non-executive Director. Mr. Wang graduated from Shenyang Pharmaceutical University, majored in pharmacy (瀋陽藥科大學藥學). Mr. Wang joined Heibei Provincial Pharmaceutical Research Centre (河北省藥物研究所) in July 1983 and became supervisor in research centre of pharmacodynamics, research centre of preparations, the pharmaceutical factory and scientific research management centre successively. In 1991, Mr. Wang joined the General Economics Division of Hebei Provincial Administration of Medicine (河北省醫藥管理局綜合經濟處) as vice supervisor and was promoted to supervisor and the deputy director successively. From April 2000 to July 2005, he was the Director of Division of Drug Registration and Division of Drug Safety and Inspection of Hebei Food and Drug Administration (河北省食品藥品監督管理局藥品註冊處，藥品安全監管處). Mr. Wang possesses extensive experience in pharmaceutical research, production and industry regulation, is familiar with pharmaceutical laws and regulations and drug inspection procedures. He has profound exposure in the areas of pharmaceutical research, production, circulation and application, while comprehends and provides insights into the overall situation and trend of development of the pharmaceutical industry at both the provincial and state levels.

Mr. Chow Kwok Wai (周國偉先生), aged 59, an independent non-executive Director. Mr. Chow served as a non-executive director of Cinda International Holdings Limited (stock code: 111) from November 2008 to November 2022 and as an executive director of Silver Grant International Holdings Group Limited (stock code: 171) from April 2004 to December 2012, both companies being listed on the Stock Exchange. Mr. Chow served as an independent non-executive director of Youyuan International Holdings Limited (a company incorporated in the Cayman Islands with limited liability and been cancelled of listing on the Stock Exchange with effect from 22 March 2021) from May 2010 to October 2019. Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and has accumulated valuable audit experience there. Mr. Chow has over 30 years of experience in accounting, financial management and corporate finance. Mr. Chow received his bachelor degree in Social Sciences from the University of Hong Kong in 1990. Mr. Chow is a Fellow member of the Association of Chartered Certified Accountants and a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Tax Adviser and a Fellow member of the Taxation Institute of Hong Kong.

Mr. Jiang Guangce (姜廣策先生), aged 54, an independent non-executive Director. Mr. Jiang has over 20 years of experience in the field of healthcare and investment. He is currently the chairman of Tibet DeChuan Investment Management Co., Ltd. ("Tibet DeChuan"). Mr. Jiang obtained the doctor's degree from the School of Chemistry, Sun Yat-sen University in year 2000, and completed the post-doctoral research in biopharmaceutical area at the College of Biological Engineering, South China University of Technology in year 2002. Mr. Jiang was the general manager of Guangzhou Baiji Health Management Co., Ltd. (廣州百濟健康管理有限公司), the healthcare analyst of KGI Securities and the chief analyst of pharmaceutical industry in Greater China of Yuanta Securities. Mr. Jiang served as an independent director of Shanghai Rongtai Health Technology Corporation Limited, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603579), from October 2016 to October 2019. Mr. Jiang has been the chairman of Tibet DeChuan since December 2012.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of SSY Group Limited (the "Company") is pleased to present this corporate governance report for the year ended 31 December 2025 (the "Corporate Governance Report").

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance.

CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions for financial year commencing on 1 January 2025 (the "Code Provision") of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2025, except for the deviation from Code Provision C.2.1 as follows:

Under Code Provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Qu Jiguang has been appointed as the chairman of the Board, who has the principal role of providing the leadership for and effective running of the Board. In view of the present composition of the Board and the in-depth knowledge of Mr. Qu Jiguang in the Company's operations and pharmaceutical industry, Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Board believes that it is in the best interest of the Company to vest both roles in Mr. Qu Jiguang, which allows for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

CORPORATE CULTURE

The Company is committed to a corporate culture of "Satisfy people with quality based on honesty（以質愛民,誠信為本）". Our mission is to produce good medicines for human, with a vision of leading green pharmaceuticals by technology for a healthier and better life. We embrace our values as we operate our business, and they serve as a guide for employees' conduct and behaviours.

The Board takes the lead in shaping the corporate culture and reviews it from time to time. The management is responsible for implementing the Board's direction on corporate culture to enable our staff and stakeholders to understand the corporate culture while integrating it into the Company's decisions and actions and day-to-day operations by reflecting it in various policies of the Company, which are under review by the Board. Taking into account the corporate culture in a range of contexts, including but not limited to workforce management (such as staff recruitment, employee retention and training, health and safety), legal and regulatory compliances (such as emission management, anti-corruption and whistleblowing), and internal control and risk management, the Board considers the purpose, values and strategy are aligned with the corporate culture of the Company.

BOARD OF DIRECTORS

As at 31 December 2025, the Board comprises (i) five executive Directors, namely, Mr. Qu Jiguang (Chairman), Mr. Su Xuejun, Mr. Meng Guo, Mr. Chow Hing Yeung and Ms. Qu Wanrong, (ii) one non-executive Director, namely, Mr. Liu Wenjun and (iii) three independent non-executive Directors, namely, Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce (the "Directors").

BOARD OF DIRECTORS *(Continued)*

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic direction and performance. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions. The Board is responsible for reviewing and monitoring the training and continuous professional development of directors and senior management, and the code of conduct applicable to employees and the Directors. The Board is also responsible for reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements of the Company, the compliance with the CG code and disclosure in the Corporate Governance Report, and the effective governance and oversight of the Environmental, Social and Governance ("ESG") matters including assessment and management of material environmental and social risks as well as the disclosure in the ESG Report in accordance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

The Board appointed Mr. Qu Jiguang as the Chairman, who has the principal role of providing the leadership for and effective running of the Board. Other roles and responsibilities of the Chairman include approving the agenda of board meetings, ensuring all Directors are properly briefed on issues arising at board meetings and have received information which is adequate, accurate and complete in a timely manner, ensuring good corporate governance and effective shareholder communication practices and procedures, encouraging all Directors to make full and active contributions to the Board's affairs as well as promoting a culture of openness for contribution by non-executive Directors.

The Board collectively possesses the skills, experience and expertise in the fields of pharmaceutical industry, auditing, accounting and financial management, corporate finance, public relations and corporate communication, research and industry regulation, capital market and investment. Each Director's relevant skills, professions and experiences are disclosed in their biographical information under "Biographical Details of Directors and Senior Management" of this Annual Report. The Directors are considered to have a balance of skills and experiences appropriate for the requirements of the business of the Company, and have devoted sufficient time and make contributions to the Company based on their roles and responsibilities. Save as disclosed under "Biographical Details of Directors and Senior Management", there are no financial, business, family and other material or relevant relationships among members of the Board.

The Board is aware of the requirement under the CG code for financial years commencing on or after 1 July 2025 to conduct the Board's performance review at least once every two years. For the year ended 31 December 2025, no Board's performance review was conducted. The Board is in the progress of assessment of how the Board's performance is to be evaluated and the desired performance objectives for the Board's performance review to be conducted no later than year 2027.

The Board has delegated the day-to-day responsibility for the management of the Group's business to the management. The Board has given clear directions as to the 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. As explained above under the heading "CORPORATE GOVERNANCE PRACTICES", Mr. Qu Jiguang, the Chairman of the Board, also assumed the role as the chief executive officer of the Company who was delegated with the responsibilities to lead the management implementing the business strategies of the Group.

In addition, the Board has also delegated various responsibilities to the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company (the "Board Committees"). The terms of reference of the Board Committees are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited. Further details of the Board Committees, among others, their roles and functions are set out in the later parts of this report. The Company reviews the appropriateness of these delegation arrangements periodically in view of the Company's needs.

BOARD OF DIRECTORS *(Continued)*

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company.

There are sufficient numbers of independent non-executive Directors in the Company, among which, Mr. Chow Kwok Wai is a certified public accountant. During the year ended 31 December 2025 and up to date of this Corporate Governance Report, there was no change which may affect the independence of independent non-executive Directors of the Company.

During the year ended 31 December 2025, a total of four board meetings and one annual general meeting ("AGM") were held and the attendance of each Director was in the table below. All the independent non-executive Directors, being the chairmen of the Board Committees, and the non– executive Director have attended the AGM held during the year ended 31 December 2025.

	Number of meetings attended/ held within Director's service period	
Name of Director	**Board meetings**	**AGM**
Executive Directors		
Mr. Qu Jiguang *(Chairman)*	4/4	1/1
Mr. Su Xuejun	4/4	1/1
Mr. Meng Guo	4/4	1/1
Mr. Chow Hing Yeung	4/4	1/1
Ms. Qu Wanrong	4/4	1/1
Non-executive Director		
Mr. Liu Wenjun	4/4	1/1
Independent non-executive Directors		
Mr. Wang Yibing	4/4	1/1
Mr. Chow Kwok Wai	4/4	1/1
Mr. Jiang Guangce	4/4	1/1

During the year ended 31 December 2025, Mr. Qu Jiguang, the Chairman of the Board, held one meeting with all independent non-executive Directors without the presence of other directors.

The Company ensures that all Directors are participating in board proceedings in a meaningful and effective manner. Notice of at least 14 days are served to all Directors of a regular board meeting. For all other board meetings and committee meetings, reasonable notice is generally given. Agendas and accompanying board papers and related materials are normally sent to all Directors at reasonable time before the intended date of meetings to enable them to make informed decisions and perform their duties. All Directors are given the opportunity to contact the Company Secretary to include matters in the agenda for regular board meeting, and have separate and independent access to the senior management of the Company whenever necessary.

BOARD OF DIRECTORS *(Continued)*

Minutes of board meetings and meetings of board committees (i.e. Nomination Committee, Remuneration Committee and Audit Committee) of the Company were kept by Company Secretary and such minutes are open for inspection at reasonable time and on reasonable notice by any Director. Such minutes were recorded in sufficient detail the matters considered by the board and decisions reached. Draft and final versions of such minutes were sent to all directors for their comment and record respectively within a reasonable time after the board meeting was held.

All directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. The Company has a procedure to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be discussed by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction shall be present at such Board meeting.

BOARD DIVERSITY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

Taking into account the characteristics of the pharmaceutical industry, the Group's current situation and the feasibility of measurable objectives related to various factors, the Board has set out the measurable objectives as follows:

1. the Board comprises director(s) who has/have professional qualifications or relevant experience in one of non-pharmaceutical fields such as accounting, legal or investment industry;

2. the Board comprises executive director, non-executive director and independent non-executive director; and

3. at least one director with a gender different from the single gender board is appointed.

During the year ended 31 December 2025 and up to date of this Corporate Governance Report, all of the above measurable objectives have been achieved.

To ascertain the progress made towards achieving the objective of Board diversity, the Board has delegated the responsibility to the Nomination Committee to review of the implementation and effectiveness of the board diversity policy, including but limited to ensuring the measurable objectives' appropriateness and considering any new measurable objectives, from time to time with at least once a year to ensure its continued effectiveness and its compliance with all applicable rules and regulations, including but not limited to the Listing Rules, and the Nomination Committee is responsible for making recommendations on any proposed changes to the Board. During the year ended 31 December 2025, the Nomination Committee reviewed the board diversity policy and the measurable objectives to assess their implementation and effectiveness, and considered that they remain effective.

BOARD DIVERSITY *(Continued)*

Apart from different skills, professions and experiences possessed by the Directors which are disclosed in their biographical information under "Biographical Details of Directors and Senior Management" of this Annual Report, the Board composition reflects a diverse mix of designation, gender, age and length of service. The diversity mix of the Board as at 31 December 2025 is summarised as follows:

	Number of Directors	Share of the Board
Designation		
Executive director	5	56%
Non-executive director	1	11%
Independent non-executive director	3	33%
Gender		
Male	8	89%
Female *(Note 1)*	1	11%
Age Group		
41-50	2	22%
51-60	5	56%
61-70	1	11%
Over 70	1	11%
Length of service (up to date of this Corporate Governance Report)		
0-3 years	2	22%
4-9 years	3	33%
Over 9 years *(Note 2)*	4	45%

Note:

1. The Board currently has only one female Director out of nine Directors, and targets to maintain at least the current level of female representation and may adjust the proportion of female directors over time as and when appropriate.

2. Among the Directors who have served more than 9 years, two of them are independent non-executive directors (INEDs). The Board is aware of the requirement under the Listing Rule in relation to the tenure of INEDs by the first annual general meeting held on or after 1 July 2028. The Company targets to conduct comprehensive succession planning to allow sufficient time for the recruitment of suitable replacement INEDs.

NOMINATION, APPOINTMENTS AND RE-ELECTION OF DIRECTORS

The appointment and re-election of Directors shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations, including but not limited to the Listing Rules. In addition, the Company has established a nomination policy with the objectives of setting out the key selection criteria, principles and procedures of appointments and re-election of directors. The factors used as reference by the Nomination Committee in assessing the suitability of a proposed candidate includes reputation for integrity, skills and knowledge, experience in pharmaceutical industry, commitment in respect of available time as well as age, culture, ethnicity and gender diversity of the Board. The candidate to be nominated as an independent non-executive Director must satisfy the independence criteria set out in the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated for filling the office of an independent non-executive Director. All these criteria are for reference only and are not meant to be exhaustive or decisive, and the Board shall take into consideration the board diversity policy of the Company when selecting Board candidates. The Nomination Committee will monitor the implementation of and from time to time review the nomination policy, as appropriate, to ensure the effectiveness of it.

NOMINATION, APPOINTMENTS AND RE-ELECTION OF DIRECTORS *(Continued)*

Regarding nomination procedures, the Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. After the Nomination Committee makes its recommendations to the Board, the Board has the authority on approving the nomination of the candidate and the appointment of Directors. Details of the candidate including the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information should be provided for consideration by the Nomination Committee, the Board and/or the shareholders in the general meeting. For shareholders' nomination of any proposed person for election as a Director, shareholders should lodge a notice with the Company proposing a person for election as a Director at a general meeting and please refer its procedures to the section headed "SHAREHOLDERS' RIGHTS" in this report.

Subject to the requirement of retirement from office by rotation pursuant to the Articles of Association of the Company as set out in the next paragraph, each of non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years, and executive Directors has entered into a service contract with the Company for a specific term (usually three years) which may be extended as each Director and the Company may agree. Key terms and conditions of the Director's appointment are set out in the service contract or formal letter of appointment for the Director.

At each annual general meeting, one-third of the Directors (including non-executive Director and independent non-executive Directors) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement at least once every three years. Also, the Directors appointed as an addition to the Board shall be subject to re-election by the shareholders at the first general meeting after their appointment.

TRAINING FOR DIRECTORS

All Directors are provided with monthly updates on the Company's key financial performance, and are provided with relevant materials in relation to the Group's financial, internal control and risk management matters for review before attending meetings, necessary to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development ("CPD") activities (such as seminars, conferences and briefings) to develop and refresh their knowledge and skills. Each year, the Company provided all Directors materials and at least once in-house training seminar for updates on the latest developments in relation to the roles of the Board, duties of a director, corporate governance and ESG, risk management and internal controls, and the Listing Rules and other legal and regulatory requirements. The Directors also have opportunities to conduct site visits to the operation base of the Group.

For newly appointed directors, a comprehensive induction on appointment and subsequent continuous professional development are arranged to ensure that they properly understand the Group's business and the statutory and regulatory obligation of a director under the Listing Rules and relevant regulatory requirements.

TRAINING FOR DIRECTORS *(Continued)*

During the year ended 31 December 2025, all Directors have attended the in-house training seminar conducted by an external legal advisor. All Directors also attended various meetings and/or read materials to keep abreast of current issues facing the Group and industry-related updates. All Directors have provided the records of training they received during the year ended 31 December 2025 to the Company Secretary of the Company (the "Company Secretary"), and have confirmed that they have attended adequate and appropriate CPD activities summarized as follows:

Name of Director	Attending seminars/ conferences/ in-house training	Reading materials relevant to the Group and industry	Total hours of CPD activities
Executive Directors			
Mr. Qu Jiguang *(Chairman)*	✔	✔	22
Mr. Su Xuejun	✔	✔	22
Mr. Meng Guo	✔	✔	22
Mr. Chow Hing Yeung	✔	✔	45
Ms. Qu Wanrong	✔	✔	>10
Non-executive Director			
Mr. Liu Wenjun	✔	✔	26
Independent non-executive Directors			
Mr. Wang Yibing	✔	✔	>10
Mr. Chow Kwok Wai	✔	✔	48
Mr. Jiang Guangce	✔	✔	>10

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary who is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary had taken no less than 15 hours of relevant professional training requirement, in compliance with Rule 3.29 of the Listing Rules.

NOMINATION COMMITTEE

The Board has established the Nomination Committee. Ms. Qu Wanrong, an executive Director of the Company, has been appointed as a member of the Nomination Committee with effect from 20 June 2025. As at 31 December 2025, the Nomination Committee is chaired by Mr. Wang Yibing (independent non-executive Director) and with committee members of Mr. Chow Kwok Wai (independent non-executive Director), Mr. Jiang Guangce (independent non-executive Director) and Ms. Qu Wanrong (executive Director).

NOMINATION COMMITTEE *(Continued)*

The roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board taking into account the Company's board diversity policy, making recommendations on any proposed changes to the Board, identifying candidates and/or making recommendations to the Board on candidates nominated for directorships taking into account the Company's nomination policy as well as reviewing the Company's board diversity policy and nomination policy from time to time to ensure their continued effectiveness and their compliance with all applicable rules and regulations. In accordance with the CG Code which came into effect on 1 July 2025, the Nomination Committee is also responsible for assisting the Board in maintaining a board skills matrix and reviewing the time commitment and contribution to the Board by each Director.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 31 December 2025. The Board composition, the Company's board diversity policy and nomination policy were reviewed during the meeting. The Board diversity was considered achieved considering multiple measurable objectives including but not limited to skills, experience and expertise, cultural and educational background, age, gender and length of service. In addition, the Directors are considered to have a balance of skills and experiences appropriate for the requirements of the business of the Company and have devoted sufficient time and make contributions to the Company based on their roles and responsibilities. The attendance of each member at the meeting was as follows:

Name of committee members	**Number of meetings attended/ held within Director's service period**
Mr. Wang Yibing	1/1
Mr. Chow Kwok Wai	1/1
Mr. Jiang Guangce	1/1
Ms. Qu Wanrong	1/1

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee. As at 31 December 2025, the Remuneration Committee is chaired by Mr. Jiang Guangce and with committee members of Mr. Wang Yibing and Mr. Chow Kwok Wai, all of them being independent non-executive Directors.

The principal roles and functions of the Remuneration Committee is the formulation, review and recommendation to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent policy on their remuneration.

Other roles and functions of the Remuneration Committee include consulting the Chairman of the Board about their remuneration proposals for other executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, making recommendations to the Board on the remuneration packages of individual executive Director and senior management (including benefits in kind, pension rights and compensation payments), making recommendations to the Board on the remuneration of non-executive Directors, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, approving the grant of share options and share awards to eligible participants pursuant to the share schemes of the Company, approving and making recommendations to the Board on the terms of the Directors' service contracts and compensation arrangement relating to termination, dismissal or removal of the Directors, and ensuring that no Director or his/her associates is involved in deciding that Director's own remuneration.

REMUNERATION COMMITTEE *(Continued)*

Meeting of the Remuneration Committee shall be held at least once a year. One meetings was held during the year ended 31 December 2025. Remuneration paid to the Directors and the remuneration policy of the Directors and senior management of the Company were reviewed during the meeting. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/ held within Director's service period
Mr. Jiang Guangce	1/1
Mr. Wang Yibing	1/1
Mr. Chow Kwok Wai	1/1

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the Share Option Scheme of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. Remuneration packages of executive Directors comprise base salary, performance bonus and fringe benefits including the provident fund, medical insurance and other miscellaneous benefits. All the Directors are entitled to participate in the Share Option Scheme of the Company. The emolument payable to Directors depends on their respective contractual terms under the service contract with the Company, and as recommended by the Remuneration Committee. Details of the remuneration of the Directors and individuals with highest emoluments are set out in note 8 and note 9 to the financial statement respectively.

The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company. Every of the non-executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the appointment date. The annual emolument is HK$228,000 for each of the independent non-executive Directors, namely Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce, and for the non-executive Director, namely Mr. Liu Wenjun.

AUDIT COMMITTEE

The Board has established the Audit Committee, comprising three independent non-executive Directors. As at 31 December 2025, the Audit Committee is chaired by Mr. Chow Kwok Wai who is a certificated public accountant and the committee members are Mr. Wang Yibing and Mr. Jiang Guangce. No member of the Audit Committee is a member of the former or the existing auditor of the Company.

The principal roles and functions of the Audit Committee are to provide the Board an independent oversight of the financial reporting, internal control and risk management systems of the Group and to maintain an appropriate relationship of the Company's external auditors.

AUDIT COMMITTEE *(Continued)*

Other roles and functions of the Audit Committee include reviewing the Group's financial information, financial controls as well as the internal control and risk management systems, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing and monitoring the external audit and internal control review processes, and reviewing the Company's policies and practices on corporate governance, anti-corruption and anti-bribery as well as whistleblowing for making recommendations on any proposed changes to the Board.

According to its terms of reference, meetings of the Audit Committee shall be held at least twice a year. Two meetings had been held during the year ended 31 December 2025. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/ held within Director's service period
Mr. Chow Kwok Wai	2/2
Mr. Wang Yibing	2/2
Mr. Jiang Guangce	2/2

During the above meetings and throughout the year ended 31 December 2025 in performing its duties, the work performed by the Audit Committee included:

(a) reviewed, among other things, the report by the internal control consultant and the financial statements, significant accounting policies and judgements of the Group contained in the Annual Report and the Interim Report with liaison with the Company's senior management and/or the external auditor before submission to the Board;

(b) met with the external auditor to discuss the audit approach and audit findings twice a year; and

(c) reviewed the external auditor's independence and effectiveness of its audit service, and recommended to the Board, for the approval by shareholders, of the re-appointment of the external auditor and approval of its remuneration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities (as set out in page 91 of this Annual Report under the section headed "Independent Auditor's Report") for overseeing the preparation of the financial statements of the Group that give a true and fair view of the state of affairs of the Group and of the financial results and cash flows for that reporting period. The management provides to the Board monthly updates of the Group's financial position and any other supplementary information giving a balanced and understandable assessment of the Group's performance, position and prospects so as to enable the Board to discharge its duties. The management also provides to the Board sufficient explanation and information so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

The fees paid and payable to the Company's auditor, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2025 amounted to approximately HK$3,004,000 (2024: HK$3,297,000) and HK$Nil (2024: HK$Nil) respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the risk management and internal control systems of the Group. The systems include a defined management structure with limits of authority, and are designed to enable the Board to identify, evaluate and manage significant risks (including ESG risks) so as to manage rather than eliminate the risk of failure to achieve its business objectives, provide reasonable but not absolute assurance against material misstatement or loss, safeguard its assets and shareholders' interests, and ensure compliance with applicable laws and regulations. The Group has established policies which set out internal control procedures in respect of inside information (as set out below under the heading "HANDLING OF INSIDE INFORMATION") anti-corruption, anti-bribery and whistleblowing (as set out below under the heading "ANTI-CORRUPTION AND WHISTLEBLOWING"), connected transactions/continuing connected transactions and other key risk areas. Detailed policies and/or procedures in individual departments and functions are established for, including but limited to budgeting, information reporting, performance monitoring, whistleblowing by employees and stakeholders as well as anti-corruption and fraud prevention, so as to implement the Group's risk and internal control systems and achieve their objectives.

The Board conducts annual review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries and, in particular, ensures the adequacy of financial and human resources in performance and reporting of the Company's accounting, financial and ESG functions. Having assessed the current situation of the Group including the changes in its operation size, business nature, industry environment and other significant risks (including ESG risks) since last annual review, and resources required for setting up in-house internal audit, the Board considered so far the engagement of one of the big four accounting firms as internal control consultant is in the best interests of the Company. The internal control consultant identifies and examines key issues in relation to the control environment, risk management, control activities, information and communication, compliance management, and selected key operational and financial processes based on risk assessment results. The internal consultant then provides findings and recommendations for improvement in the form of a review report, which is reported to the Audit Committee for making recommendation to the Board on the effectiveness of the risk management and internal control systems. Suggestions proposed in the review are also considered by the Board for improving the Company's internal control measures and resolve material internal control defects, if any.

For the year ended 31 December 2025, a review on the effectiveness of the risk management and internal control systems of the Company has been conducted by the Board. Based on the information provided by the internal control consultant and its own observations and assessments, the Board concluded that the risk management and internal control systems are effective and adequate.

HANDLING OF INSIDE INFORMATION

The Group has established policy and procedures on handling and dissemination of inside information which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the Securities and Futures Ordinance, the Listing Rule and all other applicable laws and regulations. The Company has established written guidelines to the directors, officers and all relevant employees of the Company and its subsidiaries on assessing whether material information that comes to their knowledge is inside information and escalating such information for the attention of the Board promptly. The Company discloses information and publish announcements in compliance with the Listing Rules and other relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, accurate and complete.

ANTI-CORRUPTION AND WHISTLEBLOWING

The Group strictly prohibits any form of bribery or corruption, and is committed to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever the Group operates and implementing and enforcing effective systems to counter bribery and corruption. The Group is committed to conduct all of its business in an honest, transparent and ethical manner. The Group has established policies and systems that promote and support the applicable laws and regulations on anti-corruption including but not limited to the Criminal Law and the Anti-Unfair Competition Law of the People's Republic of China and the Prevention of Bribery Ordinance (Cap. 201) of the Laws of Hong Kong. The Company's anti-corruption and anti-bribery policy aims to (i) set out the Group's responsibilities and of those working for and on the Group's behalf, in observing and upholding the Group's position, and (ii) provide information and guidance on how to recognise and deal with bribery and corruption issues. The Group has also established whistleblowing policy which aims to (i) provide reporting channels and guidance on reporting possible improprieties, and reassurance to persons reporting his/her concerns (the "Whistle-blowers") of the protection against unfair disciplinary action or victimization for any genuine reports made, and (ii) allow fair and independent investigation of the above-mentioned matters and appropriate follow-up actions. Under the Company's whistleblowing policy, every report shall be made in person or in writing either by email accessed by the audit committee of the Company (the "Audit Committee") or by post to the Audit Committee. Based on different scenarios, the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report. If the concern involves the Audit Committee, the Whistle-blowers may take the complaint direct to the chairman of the board of directors of the Company.

The above policies on anti-corruption and whistleblowing of the Company applies to all employees (including temporary or contract staff), officers and directors of the Group as well as external third parties who deal with the Group (including but not limited to customers, suppliers and consultants).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2025.

The Company has also established written guidelines to the Directors, officers and all relevant employees of the Company and its subsidiaries on securities transactions by those who may possess or have access to inside Information of the Company.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene an EGM

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionists and deposit it to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

SHAREHOLDERS' RIGHTS *(Continued)*

(1) Procedures for shareholders to convene an EGM *(Continued)*

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionists concerned at EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company at EGM.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(2) Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to make enquires and suggestions to the Board in the general meeting. Shareholders who wish to put forward a proposal, including nomination of directors, should convene an EGM by submitting a written requisition to move a resolution at EGM. The requirements and procedures are set out in "(1) Procedures for shareholders to convene an EGM" above.

(3) Procedures for sending shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Mailing address:	Rooms 4902-03, 49th Floor Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
E-mail:	henrychow@ssygroup.com.hk
Fax:	(852) 2787 3338

Shareholders may also direct their questions about their shareholdings to Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar.

DIVIDEND POLICY

The Company has adopted a dividend policy in which the Board considers paying dividends twice a year, which are interim dividend and final dividend. From time to time, the Board may declare interim dividend. Under normal business conditions, and subject to the approval by the shareholders in a general meeting, the Board may recommend final dividend to maintain a stable dividend payout ratio (defined as the aggregated amount of interim dividend and final dividend in each financial year divided by the Group's audited net profits attributable to the shareholders in that year) but there is no assurance that dividends will be paid in any particular amount for any given period. The Board may also declare special dividends in addition to such dividends, or consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations as it considers appropriate.

The Board considered that the dividend decisions during the year ended 31 December 2025 were made in accordance with the Company's dividend policy. For the year ended 31 December 2025, both a drop in the dividend and in the Group's net profits has resulted in a dividend payout ratio which was relatively stable as compared with last year.

COMMUNICATIONS WITH SHAREHOLDERS

The Company believes that effective communication is essential for enhancing investor relations and investors' understanding of the Group. The Company also recognises the importance of transparency and timely disclosure of its corporate information, which enables shareholders and potential investors to make informed decisions. The Company has established a mechanism of using a number of channels for communications with its shareholders, investors and other stakeholders to ensure independent views and input are available to the Board. These include a designed Investor Relations Department which has access to the Board and is responsible for day-to-day communication with shareholders and potential investors, the AGM and the general meetings, annual and interim reports and quarterly operating results, announcements, circulars and notices to shareholders, press releases, investors meetings and the Company's website www.ssygroup.com.hk.

During the year ended 31 December 2025, (i) the Company conducted its AGM on 16 May 2025 where all Directors, including chairman of the Board, the INEDs being respective chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, and the external auditor attended the meeting in person to address shareholder inquiries during the meeting, (ii) briefings to shareholders and analysts by Investor Relations Department, followed by question and answer session involving executive Directors and senior management, were held on 28 March 2025 and 28 August 2025 after financial results of the Group were announced, (iii) executive Directors responsible for investor relations and Investor Relations Department held meetings with institutional shareholders and analysts from time to time, and (iv) the Company Secretary ensured good channel of communication with individual and institutional shareholders through emails or at the Company's AGM. The Company have taken an active and timely approach in responding to the shareholders views and following up the outcomes of these engagements.

During the year ended 31 December 2025, approximately 130 corporate communication documents (including annual report, interim report, circulars and notices to shareholders, and various announcements) were published on the websites of the Stock Exchange and the Company. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive certain corporate communication documents by electronic means.

The Board reviews the implementation and effectiveness of communication mechanism with shareholders from time to time with at least once a year. For the year ended 31 December 2025, having considered the multiple channels of communication and engagement in place, the Board considered that such mechanism was properly in place during the year and remained effective.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

As a pharmaceutical enterprise, SSY Group Limited (the "Company") and its subsidiaries (collectively, the "Group") understand the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance ("ESG") aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations.

In accordance with the "Environmental, Social and Governance Reporting Code" as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Group has established the principles and benchmarks for the preparation of this report, and has incorporated its own experience in order to build up a complete and efficient ESG governance framework. This ESG Report (the "Report") summarizes in detail the Group's strategies and practices in both environmental and social areas, and provides an opportunity for shareholders, investors and the general public to gain an in-depth understanding of the Group's governance structure and corporate culture. This Report not only demonstrates the Group's efforts and achievements in ESG, but also further highlights its commitment and actions towards sustainable development.

REPORTING SCOPE

The purpose of this Report is to provide a comprehensive overview of the Group's sustainability performance by summarizing the policies, management practices and performance of the Group's core and significant businesses, namely research, development, manufacturing and sales of a wide range of pharmaceutical products to hospitals and distributors, in relation to corporate social responsibility. The Group's manufacturing plants are located in Hebei Province and Jiangsu Province of the People's Republic of China (the "PRC") and the sales are mainly to customers in the PRC. In accordance with the "materiality" principle, this Report covers the relevant data of three major subsidiaries, namely Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang"), and discloses the Group's policy on ESG in the PRC.

REPORTING PERIOD

The Report illustrates and highlights the environmental and social performance of the Group in China for the reporting period from 1 January 2025 to 31 December 2025 (the "Reporting Period").

REPORTING FRAMEWORK

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Code (the "ESG Code") contained in Appendix C2 to the Listing Rules.

REPORTING PRINCIPLES

This Report has been compiled based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

- Materiality: This Report identifies and reports on important matters relating to ESG issues that have a material impact on investors and other stakeholders.
- Quantitative: This Report discloses key quantitative performance indicators to assess and validate the effectiveness of ESG policies and management systems, and describes the meaning, purpose and impact of the indicators.
- Balance: This Report reflects objective facts and discloses both positive and negative information.
- Consistency: This Report adopts a consistent method of statistics disclosure to facilitate future comparisons.

STATEMENT OF THE BOARD

The Board of Directors of the Companies (the "Board") assumes full responsibility for and ensures the effectiveness of the Companies' ESG strategy and reporting, including climate-related risks and opportunities, and oversees the Group's operation of its core and material businesses in a sustainable manner.

The Board bears ultimate responsibility for the Group's ESG and climate-related matters and reporting. The Board regularly reviews the Companies' operational status to assess the materiality of relevant ESG matters on the Companies' business and stakeholders, and approve ESG strategies and related policies. Senior management is responsible for assisting the Board in monitoring and reviewing ESG and climate-related strategies, management measures and work progress, assisting in researching and formulating ESG and climate targets related to the Group's business, monitoring the progress of such targets, and reporting to the Board at least once a year. The finance department of the Company is responsible for consolidating ESG data and feedback from various business and functional departments, coordinating the implementation of relevant policies and measures across the Group, and reporting to the management from time to time on the Group's ESG performance and target achievement.

In order to enhance the Board members' understanding and capability in ESG management, the Companies arrange relevant knowledge training covering the latest regulatory requirements and initiatives, and assist members in grasping the latest trends of climate-related risks and opportunities to jointly explore directions for enhancement. Meanwhile, the Board members participate in ESG materiality assessment, prioritise relevant matters from the perspective of risks to the Companies' business, and identify the most material ESG matters by combining the results with the opinions of other stakeholders.

This Report was reviewed and approved by the Board of the Company on 27 March 2026.

FEEDBACK MECHANISM

Stakeholders' opinions and suggestions play a key role in the formulation and enhancement of the Group's future sustainability strategy. In this regard, the Group welcomes stakeholders to contact the team responsible for the preparation of this Report via e-mail (ronaldchak@ssygroup.com.hk) to provide valuable opinions and suggestions to jointly promote the Group's sustainable development objectives.

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY ANALYSIS

Stakeholders' Engagement

Based on the Group's years of practical experience and the results of communications with internal and external organizations, the Group has identified and consolidated seven stakeholder groups that are closely related to its business, including the management, employees, community and the public, shareholders and investors, suppliers and business partners, customers, and the government and regulators. To strengthen collaborative relationships with various stakeholders, the Group proactively engaged in communications through multiple channels during the Reporting Period to extensively collect opinions and suggestions, ensuring that business strategies and sustainable development directions are aligned with the stakeholders' views and expectations. During the Reporting Period, the Group also conducted a number of specific stakeholder engagement activities to deepen mutual understanding and cooperation, the details of which are as follows:

	STAKEHOLDER GROUP ENGAGED	ENGAGEMENT METHODS
Internal Stakeholders	Management	— Regular meetings
	General Staff	— Regular meetings — Training and workshops — Annual appraisal meetings — Company magazine and intranet
External Stakeholders	Community and the Public	— Joint community activities — Cooperation with Public Interest Organizations
	Shareholders and Investors	— General meetings — Investor information sessions — Site visits — Regular information disclosure of the listed company — Investor visits and meetings — Telephone and email enquiries
	Suppliers and Business Partners	— Tender meetings — Supplier management procedure — Supplier appraisal and assessment
	Customers	— Customer opinion surveys — Customer communication meetings — Day-to-day communication with frontline staff — Customer feedback mechanism
	The Government and Regulators	— On-site inspection and work reports preparation, submission and approval — Conversations with regulatory authorities — Regular communication with local environmental departments — Consultation and information disclosure — Industry exchange and collaboration

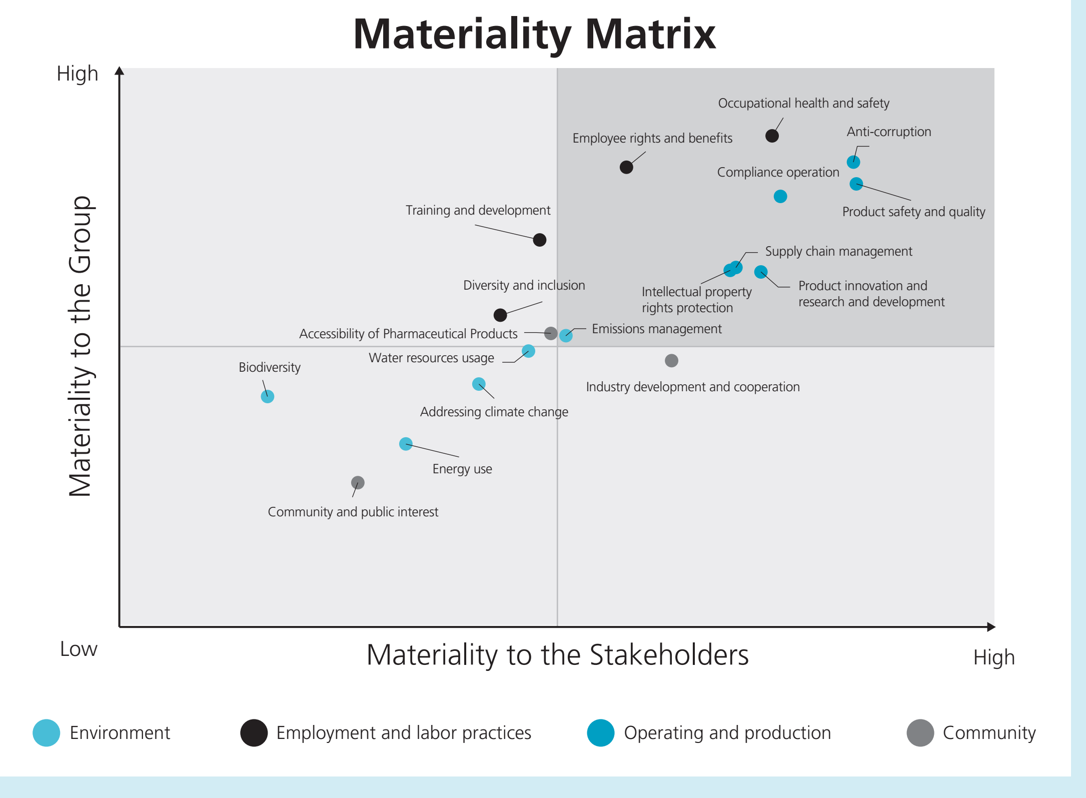
STAKEHOLDERS' ENGAGEMENT AND MATERIALITY ANALYSIS *(Continued)*

Materiality Analysis

The Group is committed to identifying ESG issues that best reflect the characteristics of its business and the concerns of its stakeholders, and conducts regular materiality assessments and analyses to ensure that business objectives and development directions are fully aligned with the expectations and requirements of stakeholders. During the Reporting Period, the Group followed a rigorous process and assessed the materiality of each ESG dimension through the following steps:

Step 1 Identification	Based on the Environmental, Social and Governance Reporting Code, the results of last year's materiality analysis, and the disclosure data of peers, the Group reviewed ESG issues related to its business.
Step 2 Prioritization	The Group analysed and assessed the materiality of each ESG issue based on the two dimensions of "Materiality to the Stakeholders" and "Materiality to the Group", and confirmed that the results of last year remained valid and relevant.
Step 3 Verification	The results of the materiality analysis were submitted to the Board for discussion and confirmation, to ensure that the Group's business strategy was aligned with the relevant material issues.

During the Reporting Period, the Group identified a total of 18 issues, which are presented in the materiality matrix. The nine issues with the highest materiality are located in the top-right section of the matrix.



MANAGEMENT OF ESG OBJECTIVES AND PERFORMANCE

The Board is committed to promoting the implementation of the sustainability strategy and has set the following annual directional and quantitative ESG-related targets. The Group has made clear planning on the division of tasks and the timeframe for the completion of the targets by each functional department, and regularly evaluates the achievement of the targets to ensure that the targets are realized on schedule. In order to more accurately reflect the status of achievement of the targets, data on pollutant emissions and energy usage are summarized by 2 major product lines (Finished medicines, Bulk pharmaceuticals and medical materials). The Board is responsible for reviewing the progress and performance of the Group's environmentally oriented targets and has monitored the implementation of the targets during the year to ensure that the sustainability efforts are steadily progressed.

TARGETS	INDICATORS AND ACTION PLANS	IMPLEMENTATION DURING THE CURRENT YEAR	PROGRESS OF COMPLETION
Reduction of Major Pollutant Emissions	The average emission intensity over the decade between 2023 and 2032 is targeted to be lower than that in 2022	Please refer to *Types of emissions and amount of emissions* for emission figure	Ongoing
	To constantly adopt new equipment and technology to optimize the production process	Building a new sewage treatment station which applied advanced treatment process of low-temperature wet oxidation	Ongoing
Reduction of Major Energy Use	The average consumption intensity over the decade between 2023 and 2032 is targeted to be lower than that in 2022	Please refer to *Types of resource and energy use and consumption* for consumption figure	Ongoing
	To establish an energy management system	Completed the construction of the management system to achieve constant optimization and improvement in energy efficiency to ensure the accomplishment of the energy conservation targets	Completed
	To optimise the of equipment combination	Tapping energy saving potential and improving production flows through management	Ongoing

ENVIRONMENTAL PERFORMANCE

The Group has established clear policies to ensure that its companies in the PRC (the "Companies") comply with the environmental requirements under the GMP standard in their production processes and fully comply with the relevant PRC environmental protection laws and regulations. In the Group's actual operations, the Companies implement low energy consumption and low pollution production measures and encourage their staff to emphasize environmental protection in their daily work.

The Companies adhere to the concept of "Green Pharmaceuticals" and regard environmental protection and resource conservation as their historical responsibility, integrating this philosophy into every aspect of technical improvement and product development. In balancing the relationship between production and environmental protection, the Companies consistently uphold the harmonious and sustainable development of society as the guiding principles, and refuse to pursue short-term benefits in a way that is detrimental to the environment and resources. In recent years, the Companies have actively implemented the energy saving and emission reduction program, making energy saving and environmental protection the core strategies. Through the help of technological innovation, the application of new materials and processes, and the popularization of energy-saving equipment, the Companies have continuously improved the efficiency of energy use and driven sustainable development through scientific and technological innovation, fully reflecting the sense of social responsibility and ethical awareness that the pharmaceutical industry should possess.

EMISSIONS MANAGEMENT

The Companies strictly comply with GMP standards and relevant laws and regulations in the PRC, and actively enhance their capabilities in pollution prevention and ecological protection. They are equipped with various pollution prevention and control facilities to ensure compliance with the enforcement standards of the total sewage outlet and air exhaust vents as well as the emission requirements by the emission license. During the year 2025, the Group did not violate any relevant emission laws and regulations.

In respect of sewage treatment, the Companies currently operate three highly efficient sewage treatment stations, adopting advanced treatment techniques combining biochemistry and physicochemistry, which not only improved the efficiency of sewage treatment, but also ensured that the quality of the discharged water complied with the standards set by the local government. In addition, the Companies regularly inspect and maintain these facilities to ensure their continuous and stable operation.

In terms of exhaust gas management, the Companies have installed treatment facilities targeting different pollutants, which include a "bag filter with 25m high exhaust pipe" for filtering dust in the workshop; an "alkali wash and catalytic oxidation absorption tower with 25m high exhaust pipe" for absorbing odors generated in the workshop; and a "bio-filter with 15m high exhaust pipe" for removing odors emitted from various pools and wells.

As regards solid waste, we continue to implement a stringent waste categorization and management system to classify industrial waste into two major categories, namely general industrial waste and hazardous waste. For hazardous waste, we monitor the entire process from generation, storage, transfer to final disposal to ensure that it is handled safely and appropriately to avoid secondary pollution of the environment.

EMISSIONS MANAGEMENT *(Continued)*

The Companies continue to invest in the upgrading and expansion of environmental protection facilities and optimize production processes by introducing non-polluting or low-polluting new technologies, techniques and products to reduce energy consumption and waste generation. For example, at our bulk pharmaceutical production base in Cangzhou, we utilize advanced synthesis, reduction, separation and extraction technologies to convert waste materials from other projects into useful raw materials, thereby realizing the reduction, reuse and maximization of the benefits of resources and constructing a circular economy industrial chain. At the same time, the sewage treatment station at the base adopts the low-temperature wet oxidation advanced treatment technology to further enhance the sewage treatment capacity and ensure compliance with discharge standards. The Companies have also upgraded the original exhaust gas treatment facilities by adding two sets of catalytic combustion systems to treat the process exhaust gas in the workshop, and equipped with an activated carbon adsorption and regeneration device to collect the methylene chloride exhaust gas involved in the workshop, and after adsorption and desorption, to realize the recycling of hazardous substances in the exhaust gas.

Types of emissions and amount of emissions

	2025 Finished medicines	**2025 Bulk pharmaceuticals and medical materials**	2024 Finished medicines	2024 Bulk pharmaceuticals and medical materials
Air emissions *(Note 1)*				
Nitrogen oxides (NO_x) (kg)	**366**	**41**	274	40
Sulfur oxides (SO_x) (kg)	**1.22**	**0.47**	0.93	0.49
Suspended particles (PM) (kg)	**36**	**4**	27	3
Wastewater emissions (ton)	**701,455**	**940,362**	690,000	550,483
Wastewater emissions intensity (ton/HK$100 million)	**21,271**	**108,360**	14,373	56,591
Biochemical oxygen demand (BOD_5) (ton)	**33**	**8**	51	18
Hazardous waste (ton) *(Note 2)*	**105**	**2,887**	113	3,891
Hazardous waste intensity (ton/HK$100 million) *(Note 2)*	**3**	**333**	2	400
Non-hazardous waste (ton)	**2,019**	**31**	2,232	24
Non-hazardous waste intensity (ton/HK$100 million)	**61**	**4**	46	3

Note 1: The calculation of emissions refers to the methods and emission factors in the *Reporting Guidance on Environmental KPIs* published by the Stock Exchange.

Note 2: The hazardous waste and hazardous waste intensity for Bulk pharmaceuticals and medical materials in 2024 have been restated to reflect their accuracy.

RESOURCE MANAGEMENT

Use of Energy

The Companies adhere to the energy management approach of "conserving energy to increase efficiency, reducing consumption to increase production, reducing emissions to improve the environment and implementing green practices to develop pharmaceuticals", and is committed to pursuing the economic growth model of "high growth, low consumption". In order to achieve this, the Companies have initiated a number of energy-saving and consumption reduction projects in resource regeneration and circular economy, and completed the construction of the "energy management system". Through the "four mechanisms" of "planning, implementation, inspection and improvement" of energy conservation management, the Companies further improve the energy conservation and emission reduction management system, to realize continuous improvement of energy conservation work, optimization of energy conservation management, and continuous enhancement of energy efficiency level, and ensure that the targets of energy conservation and emission reduction are fully achieved. The Companies have set up a comprehensive energy management system to strictly monitor and manage resources and energy usage data to further strengthen the overall management efficiency and environmental responsibility.

In terms of energy efficiency, the Companies have set clear targets and adopted a number of specific measures to achieve the energy saving targets. The Companies mainly utilize heat and power as their main energy sources, and explore energy saving potentials from various angles to reduce production costs and energy consumption. To this end, the Companies have built an advanced energy management center to achieve real-time monitoring of power and energy supply, consumption and equipment operation, covering systems such as general water, steam, electricity, compressed air, cooling, circulating water, heat supply and waste heat recovery. The system is equipped with real-time monitoring of pressure, flow, temperature and other measurement signals, as well as historical data query functions, which further enhance the transparency of energy use and management efficiency.

In order to further enhance energy efficiency, the Companies employ a wide range of energy-saving equipment and technologies, continue to advance the following key measures:

- Steam and Thermal System Optimization: Replacing steam traps effectively reduces heat loss caused by steam leakage and condensate accumulation, enhancing overall steam utilization efficiency.
- Energy-Saving Retrofit of Refrigeration/Heat Exchange System: Completed cooling water pipeline modifications to enable direct heat exchange between chilled water and process water. This eliminates intermediate heat exchange stages and decommissioned intermediate pumps, reducing pump energy consumption and heat exchange losses while simultaneously lowering the system's cooling capacity requirements.
- High-Efficiency Energy-Saving Equipment: The Companies extensively adopt energy-saving products, such as high-efficiency energy-saving motors, inverter and servo motor control technologies, and high-voltage motors for large energy-consuming equipment to minimize energy consumption.
- Intelligent Lighting System: The Companies fully implement energy-saving LED green lighting equipment, replacing traditional fluorescent lamps, energy-saving lamps and incandescent lamps to further save electricity.
- Air Compressor Modification: Screw air compressors are modified into centrifugal air compressors to significantly reduce the gas-to-electricity ratio, and the dryers are modified into desiccant dryers to reduce air loss and increase the output of compressed air to further save electricity.
- Bottle Blowing Production Line Improvement: The Companies carry out reasonable deployment of the production line to improve the production and transportation capacity, increase the daily output per unit space and reduce the public electricity consumption of products.

RESOURCE MANAGEMENT *(Continued)*

Use of Energy *(Continued)*

- Optimization of large-scale equipment: Large-scale hot-pressure water injection machines optimize energy utilization through multiple internal heat exchanges and variable frequency control, resulting in a steam saving rate of about 60%.

- Renewable energy use: The cafeteria is equipped with a solar water heating station, which uses low-carbon and clean new energy for cooking, cleaning and hand-washing by dining staff.

Use of Water Resources

In terms of the efficiency of using water, the Companies strive to reduce the use of water resources and increase the reuse rate of recycled water. The Companies strictly comply with the *Water Law of the People's Republic of China, the Measures for the Administration of Industrial Water Conservation* and the *Opinions on Strengthening Industrial Water Conservation* issued by the State Economic and Trade Commission as well as other relevant laws and regulations, and continuously improve the management of water resources, and actively practice and promote water-saving technologies and equipment to increase the reuse rate of water resources. At the same time, the Companies organize water conservation publicity and education training for its employees to enhance their awareness of water conservation. The Group's water is obtained from municipal water supply networks and metered, and is mainly used for production and domestic purposes, without any problems in obtaining water sources.

In order to achieve the water efficiency target, the Companies adopt a variety of water-saving appliances and equipment, including:

- Condensation recycling: condensation is recycled from steam after use and reused as a heat source for preheating raw water for water injection production. Condensate is replenished to the recirculation basin, significantly reducing the amount of fresh water replenishment.

- Water-saving technological transformation: adding a set of concentrated water recovery devices in the water production system, and changing the bottle washing of plastic bottles for large infusion solution from water washing to clean air rinsing, which greatly reduces the consumption of water resources.

- Optimization of equipment combination: adopting centralized, large-volume allocation for multiple production lines, changing the traditional method of individual, small-volume allocation for each production line to reduce water consumption.

- Establishment of recycling system: establish four sets of recycling systems for sterilization, cold water, cooling water and air compressor cooling water to reduce one-off water consumption.

- Waste water reuse: the fine cleaning water is reused for rough cleaning in the glass bottle production line; reverse-osmosis first-stage concentrated water in the water-making station is recycled for secondary use, and second-stage concentrated water is recycled for cleaning and sanitation, so as to make effective use of the limited water resources.

RESOURCE MANAGEMENT *(Continued)*

Use of Water Resources *(Continued)*

Types of resources and energy used and their consumption

	2025 Finished medicines	2025 Bulk pharmaceuticals and medical materials	2024 Finished medicines	2024 Bulk pharmaceuticals and medical materials
Water consumption (ton)	**897,783**	**594,228**	998,337	647,227
Water consumption intensity (ton/HK$100 million)	**27,225**	**68,475**	20,796	66,536
Indirect energy consumption				
Electricity consumption (thousand kWh)	**156,874**	**78,567**	185,545	86,707
Steam consumption (million kJ)	**253,438**	**177,459**	536,736	191,825
Total indirect energy consumption (million kJ)	**818,185**	**460,300**	1,204,698	503,970
Indirect energy consumption intensity (million kJ/HK$100 million)	**24,811**	**53,042**	25,095	51,809
Direct Energy Consumption				
Gasoline (million kJ)	**1,428**	**1,026**	1,170	1,058
Diesel (million kJ)	**1,328**	**151**	927	221
Liquefied petroleum gas (million kJ)	**0**	**14**	0	117
Natural gas consumption (million kJ)	**719,912**	**67,267**	667,457	70,286
Total direct energy consumption (million kJ)	**722,668**	**68,459**	669,554	71,682
Direct energy consumption intensity (million kJ/HK$100 million)	**21,915**	**7,889**	13,948	7,369
Total amount of packaging materials used on finished products (ton)	**96,428**	**1,107**	106,402	1,034

Land Resources Utilization

Regarding the use of land resources, the Companies highly focus on the intensive use of land. On top of its scientific planning, reasonable layouts and sophisticated designs are orderly implemented, enabling its factories to create greater economic and social benefits despite having limited land resources. In the past few years, the Companies are committed to increase land utilisation and adopted an "up and down" combined approach through the full utilisation of aboveground and underground space resources. For example, the Companies have successively established a three-dimensional logistics centre which meets advanced international standards, which has once been the largest of and earliest of its kind in Northern China with the highest standard of automation. Such warehouse is larger than that of a flat warehouse in capacity by seven times. Currently, the Companies have five three-dimensional logistics centres, The Companies' land saving practice has been highly praised by the Ministry of Land and Resources of the People's Republic of China.

Apart from this, the Companies' bulk pharmaceutical production base in Cangzhou has built a garden-style "Green Park" that contains multiple dedicated production lines, research and development experiment building, environmental protection centre and ancillary power facilities on the premise of intensive land use, environmental protection, energy saving, safe production and greener environment, so as to set a model for others in the industry.

CLIMATE CHANGE

Climate change has become a focus of global concern and is highly emphasized by various governments. In order to identify the impact of climate change on the Group and formulate a comprehensive risk response and business opportunity strategy, the Group makes reference to the climate-related disclosure requirements of the ESG Code, to identify the risks and opportunities that may be brought about by climate change, and at the same time, analyze the potential financial impacts thereof, as well as to formulate corresponding countermeasures and action plans to minimize or eliminate the relevant risks. Climate-related risks are mainly categorized into physical risks and transition risks. Among these, physical risks include direct losses caused by extreme weather events and indirect impacts arising from long-term changes in climate conditions. Transition risk covers factors such as changes in policies and regulations, demand for technological transformation and shifts in market preferences. In the future, the Group will continue to optimize its climate risk governance mechanisms and response capabilities to further enhance the Companies' climate resilience.

Governance

The Group's current climate-related governance framework is aligned with its ESG governance framework. The Board of Directors bears ultimate responsibility for overseeing climate risks and opportunities. The Companies' senior management is responsible for assisting the Board in monitoring climate-related risks and opportunities, including developing and implementing strategies to mitigate such risks and opportunities, and regularly reporting progress and outcomes to the Board. For further details, please refer to the "Board Statement" section.

Strategy

The Group fully recognises that climate change presents a range of risks and opportunities for its business operations. To effectively address these potential impacts, we continuously identify and monitor climate-related risks and opportunities that may affect our business model and value chain. In 2025, we conducted climate scenario analysis and financial impact assessments, based on which we formulated corresponding response strategies, thereby providing a critical basis for future strategic planning and business decisions.

Climate Risks and Opportunities

Based on industry research reports, relevant policies issued by regulatory authorities, peer benchmarking and the Group's actual circumstances, the Group has conducted a comprehensive assessment across dimensions such as likelihood of occurrence and magnitude of impact, systematically identifying the following list of climate-related risks and opportunities. In the assessment process, we have defined the time horizons as: short-term (before 2030), medium-term (2030 to 2050) and long-term (2050 and beyond), aligning with the timeframes of the "Hong Kong's Climate Action Plan 2050" and Mainland China's "Dual Carbon" goals.

CLIMATE CHANGE *(Continued)*

Strategy *(Continued)*

Climate Risks and Opportunities *(Continued)*

The table below summarises the key climate-related risks and opportunities we have identified, along with the corresponding management and mitigation strategies.

Type	Timeframe	Impact on Business Model and Supply Chains	Mitigation Measures and Plans
Physical risks (Acute)	Short to long term	Extreme weather conditions, such as typhoons, extreme precipitation and extreme cold waves, may lead to production stoppages and supply chain disruptions, affecting production capacity, and may cause damage to production equipment and storage facilities, disruptions to transportation, and other property losses, as well as threaten the health and safety of employees	Coordinating with management on matters relating to the occurrence of extreme weather events
Physical risks (Chronic)	Long term	Long-term changes in natural patterns, such as sea level rise, changes in rainfall, an increase in average temperature, which may have an impact on normal operations, and leads to an increase in energy consumption for temperature control in production, warehousing facilities, etc., resulting in increased operating costs	Promoting energy-saving technological upgrades and optimising energy efficiency management of production and warehousing facilities
Transition risks – Policy and regulations	Short to long term	Stricter greenhouse gas emission management policies; increased compliance risk for the Group; increased energy adjustment and carbon emission costs, leading to increased production costs	Strengthening the monitoring and compliance management regarding carbon emissions and environmental regulations
Transition risks – Technology	Short to long term	Increased investment costs arising from the transformation to low-carbon technology, the low-carbon adaptation of production processes and the introduction of energy-saving and consumption-reducing equipment in accordance with policy requirements	Assessing the feasibility of adopting low-carbon equipment to mitigate technical risks during the transition process

CLIMATE CHANGE *(Continued)*

Strategy *(Continued)*

Climate Risks and Opportunities *(Continued)*

Type	Timeframe	Impact on Business Model and Supply Chains	Mitigation Measures and Plans
Transition risks – Reputation	Medium to long term	Failure to meet stakeholder expectations in greening operations and reputational damage from inadequate disclosure of climate change mitigation information, affecting product demand and capital market attractiveness	Enhancing the Group's performance in environmental management, carbon reduction, and compliance
Opportunities – Resource efficiency	Short to long term	Promote energy saving and emission reduction by improving resource efficiency, and reducing energy and water consumption, which is conducive to lowering production and operating costs	Promoting the research, development and innovation of energy-saving and consumption-reducing technologies, with a focus on the latest development and application of energy-saving technologies and the introduction of advanced energy-saving equipment
Opportunities – Energy source	Short to long term	Adopting clean energy and low-carbon energy to replace traditional high-carbon energy and participate in the carbon trading market to reduce operating costs, minimize carbon emission risks and enhance the Group's reputation	Exploring the potential for adopting clean and low-carbon energy
Opportunities – Products	Long term	Climate change may lead to the emergence of more disease types that have not been addressed before, and research and development of new medicines may bring operating revenue growth for the Company	Tracking changes in market demand for pharmaceuticals resulting from climate change
Opportunities – Markets	Long term	Climate change may lead to the emergence of more disease types that have not been addressed before, leading to increased market interest in the pharmaceutical industry	Promoting the development of innovative drugs to address the needs arising from emerging diseases

CLIMATE CHANGE *(Continued)*

Strategy *(Continued)*

Climate Risks and Opportunities *(Continued)*

During the reporting period, the Group assessed the impact of the aforementioned climate-related risks and opportunities on our business model and value chain. Based on the effective implementation of existing mitigation measures, we believe that these risks do not currently have a material impact on its operation.

The Group has incorporated climate-related risks and opportunities into its decision-making processes for strategic and operational planning, and has integrated low-carbon requirements into areas such as equipment investments, supply chain management and factory operations. Although we have not yet formulated a formal climate-related transition plan, the ongoing operational measures currently being implementing, including improving energy efficiency and enhancing our resilience to climate risks, are laying the groundwork for the development of the transition plan in the future.

In terms of resource allocation, the Group has committed sufficient internal resources to support the implementation of climate-related measures and strategic adjustments. These resources not only underpin the ongoing advancement of low-carbon transition initiatives but also assist the Group in sustaining long-term growth within a market environment characterised by progressively stricter climate policies. As regulatory expectations and market trends continue to evolve, the Group will continue to strengthen its climate management measures.

Climate Scenario Analysis

To thoroughly assess the potential impact of climate change on the Group's operations, we conducted a climate scenario analysis during the year. Drawing on internationally recognised scenarios published by the United Nations Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS), we selected two distinct climate pathways to analyse the Group's business resilience under different scenarios. The key parameters and assumptions used in this analysis are summarised in the table below.

CLIMATE CHANGE *(Continued)*

Strategy *(Continued)*

Climate Scenario Analysis *(Continued)*

	Low-emission scenario	High-emission scenario
Scenario description	• Countries implementing strict climate policies, global warming is expected to be kept below 2°C above pre-industrial levels, and progress is being made toward the goal of net-zero emissions by 2050. • The low-carbon transition is proceeding in an orderly manner, and the carbon pricing mechanism is gradually being refined; however, transition risks remain concentrated in the short term.	• Only existing policies and Nationally Determined Contributions (NDCs) are implemented, without new climate action, global temperatures will rise by more than 3°C above pre-industrial levels by 2100. • Physical risks continue to intensify, with the frequency and intensity of extreme weather events rising significantly; however, transition risks remain relatively low.
Scenario Reference	• Physical risks: IPCC SSP1-2.6 • Transition risks: NGFS Net-Zero by 2050	• Physical risks: IPCC SSP5-8.5 • Transition risks: NGFS current policies
Key Assumptions	• It is assumed that internal factors such as the nature of core businesses, the location of the main production facilities, and the scale of assets remain unchanged. The analysis is based on the Group's operational profile and asset value as of FY2025.	• It is assumed that the Group's operating markets, core businesses, and other factors remain unchanged. The operational carbon neutrality pathways are adopted as internal scenarios.
Time horizon	• Short term (before 2030) • Medium term (2030-2050) • Long term (after 2050)	• Short term (before 2030) • Medium term (2030-2050) • Long term (after 2050)

This scenario analysis covers four manufacturing facilities operated by three subsidiaries in Hebei and Jiangsu provinces (the "Four Key Assets"). The results of the scenario analysis will be used to assess the potential impact of climate-related risks and opportunities on the Group's business strategy and financial planning, and to provide a basis for formulating response measures and enhancing climate resilience. We expect that internal and external funding sources will be sufficient to support the Group's strategy for addressing and managing climate-related risks and opportunities. We will also continue to monitor and manage climate-related risks and opportunities on a regular basis, and assess and implement corresponding investment or asset disposal plans as necessary.

CLIMATE CHANGE *(Continued)*

Physical Risk Assessment

We conducted a quantitative physical risk assessment at the asset level for the Four Key Assets across three subsidiaries. The assessment utilised climate modelling methods, combining historical records and future climate forecast data to analyse the likelihood and severity of various risks, thereby identifying physical risks that have a material impact on the Group. The assessment covered the following risk types:

- Acute risks: fluvial floods, pluvial floods, typhoons and storm surges
- Chronic risks: extreme heat, wildfires, landslides, droughts, sea-level rise, snowfall and extreme cold

This assessment assumes that no specific adaptation or mitigation measures have yet been implemented for the assets, in order to reflect their inherent risk levels. However, climate model projections involve assumptions regarding the frequency, intensity and geographical distribution of future climate events, and therefore involve a degree of uncertainty. The Group will regularly review and update the results of the scenario analysis to ensure that the relevant assessments remain aligned with our strategic direction and business development.

Using 2020 as the base year, we have assessed the levels of physical risks facing the Group's Four Key Assets over the medium to long term under both high-emission and low-emission scenarios, and analysed these results in conjunction with asset value weights. The results indicate that storm surges, extreme heat and extreme cold are the most significant physical risks facing the Company. All the Four Key Assets of the Group are vulnerable to extreme heat and cold; as for storm surges, these primarily affect assets in coastal regions such as Taizhou, Jiangsu and Cangzhou, Hebei. The chart below illustrates the overall impact of the identified physical risks on the Group's assets under different climate scenarios and over time.

Risk Type		**Baseline**	**Low-emission scenario (SSP1-2.6)**		**High-emission scenario (SSP5-8.5)**	
		2020	**2030**	**2050**	**2030**	**2050**
Acute	River floods, pluvial floods and typhoons	Very low	Very low	Very low	Very low	Very low
	Storm surges	Medium	Medium	Medium	Medium	Medium
Chronic	Extreme heat	Low	Low	Low	Low	Low
	Wildfires, landslides, droughts, sea-level rise and snowfall	Very low	Very low	Very low	Very low	Very low
	Extremely cold	High	High	High	High	Medium

CLIMATE CHANGE *(Continued)*

Transition Risk Assessment

As governments and businesses worldwide drive the transition to a low-carbon economy, transition risks are becoming increasingly apparent. Such risks encompass policy changes, market shifts, technological developments and reputational impacts, whilst also presenting climate-related opportunities. To deepen our understanding of the Group's transition risks and opportunities, we conducted an industry-level assessment to identify risk factors that would have a significant impact on the Group's business under both high-emission and low-emission scenarios, and performed scenario analysis on the following key factors. The chart below illustrates the extent to which transition risks affect the Group's business under different climate scenarios and time horizons.

Transition Risks	Low-emission Scenario (Net-zero emissions by 2050)		High-emission Scenario (Current policies)	
	2030	2050	2030	2050
Carbon price	Low	Low	Very low	Very low
Electricity price	Medium	High	Low	Medium
Investments in energy efficiency	High	High	Very low	Very low

During the reporting year, the above climate-related physical and transition risks and opportunities did not have a material impact on the Group's financial position, nor do we anticipate that these factors will result in significant adjustments to the carrying amounts of assets and liabilities in the financial statements for the next reporting year.

We will continue to enhance our capabilities to manage climate-related risks and opportunities, and monitor market developments to understand the expected financial impact of climate-related risks and opportunities in the short, medium and long term, and further disclose relevant quantitative information.

CLIMATE CHANGE *(Continued)*

Risk Management

The Group maintains a robust enterprise risk management (ERM) system and has fully integrated the processes for identifying, assessing, prioritising and monitoring climate-related risks into its overall ERM framework. Under our risk management framework, climate risks are explicitly included within the key category of operational risks for unified management, ensuring that policies for climate change adaptation or mitigation are effectively implemented.

In terms of risk identification, the Group regularly reviews market dynamics in the pharmaceutical industry and global climate trends. By combining these with its own business characteristics, internal operational conditions and the external development environment, the Group identifies potential physical risks, transition risks and opportunities facing the Company across short-, medium– and long-term time horizons, thereby compiling a list of climate-related risks and opportunities.

In terms of risk assessment, the Group employs a scenario analysis approach to conduct a combined quantitative and qualitative assessment of the identified climate risks and opportunities. These are analysed and prioritised based on dimensions such as the likelihood of occurrence and the extent of impact on business operations and financial performance. We refer to internationally recognised climate scenarios published by organisations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), conducting systematic analysis and prioritisation based on the likelihood of risks and opportunities occurring and their impact on business operations and financial performance, in order to comprehensively identify key climate risks and opportunities across different time horizons.

In terms of risk response, based on the results of the climate risk assessment, we will formulate and implement climate risk management measures and opportunity management strategies, and incorporate the results into the Company's strategic decision-making and risk response processes to continuously enhance climate resilience.

CLIMATE CHANGE *(Continued)*

Metrics and Targets

Greenhouse Gas Emissions

During the reporting period, the Group further expanded the scope of data collection for Scope 3 emissions, adding Category 1 (purchased goods and services), Category 2 (capital goods) and Category 5 (operational wastes).

Greenhouse Gas Emissions *(Note 1)*

	2025 Finished medicines	**2025 Bulk pharmaceuticals and medical materials**	2024 Finished medicines	2024 Bulk pharmaceuticals and medical materials
Direct emissions (Scope 1) (ton) *(Note 2)*	**40,704**	**3,896**	40,091	14,566
Indirect emissions (Scope 2) (ton) *(Note 3)*	**130,097**	**69,111**	193,598	80,877
Greenhouse gas (Scope 1 and 2) emissions (ton)	**170,801**	**73,007**	233,689	95,443
Greenhouse gas (Scope 1 and 2) emissions intensity (ton/HK$100 million)	**5,179**	**8,413**	4,868	9,812
Other indirect greenhouse gas emissions (Scope 3) (ton) *(Note 4)*	**87,704**	**105,050**	3,376	1,828
Category 1: Purchased goods and services	**46,952**	**95,712**	N/A	N/A
Category 2: Capital goods	**36,129**	**7,190**	N/A	N/A
Category 5: Operational wastes	**164**	**557**	N/A	N/A
Category 6: Business travel *(Note 5)*	**1,991**	**38**	520	242
Category 7: Employee commuting	**2,467**	**1,553**	2,856	1,586

The Group is committed to continuously reducing greenhouse gas emissions and minimising the environmental impact of its operations by setting clear environmental targets. For details on environmental targets, please refer to the 'Management of ESG Objectives and Performance' section of this report.

CLIMATE CHANGE *(Continued)*

Metrics and Targets *(Continued)*

Greenhouse Gas Emissions *(Continued)*

Note 1: Greenhouse gases emissions data are presented in terms of tons of CO_2 equivalent. Scope 1 covers the emissions from stationary combustion sources and mobile combustion sources as well as refrigerant emissions, Scope 2 covers the emissions from purchased electricity and steam. Unless otherwise stated, there have been no changes to the relevant calculation methods, input data or assumptions compared to the previous reporting period.

Note 2: The energy conversion emission factors refer to the greenhouse gas emission accounting methods and reporting guidelines (trial version) for other industrial sectors.

Note 3: The indirect greenhouse gas emissions (Scope 2) are calculated based on the power carbon dioxide emission factors of Announcement on Issuing the CO_2 Emission Factor for Electricity in 2022 published by the Ministry of Ecology and Environment in 2024 (Hebei provincial grid 0.7252 kilograms of carbon dioxide per kilowatt-hour; Jiangsu provincial grid 0.5978 kilograms of carbon dioxide per kilowatt-hour).

Note 4: Other indirect greenhouse gas emissions (Scope 3) are estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Category 1: Purchased goods and services and Category 2: Capital goods emissions were estimated using the spend-based method. Category 5: Operational wastes emissions were calculated based on annual waste generation volumes and their final disposal methods. Category 6: Business travel was calculated using the expense-based method. Category 7: Employee commuting were based on the transportation modes and travel distances, using sample data collected through employee questionnaire surveys. The emission factors were sourced from the UK Department for Environment, Food and Rural Affairs (DEFRA) and the US Environmentally-Extended Input-Output Models (USEEIO).

Note 5: Due to the enhancement of the data collection methodology for business travel during the Reporting Period, data for the Reporting Period is not comparable with that of 2024.

Capital Expenditures

During the Reporting Period, the Group continued to invest resources in climate-related initiatives to enhance energy and water efficiency, including the replacement of imported steam traps and the optimisation of cooling water piping systems. These related capital expenditures did not have a material financial impact on the Group.

EMPLOYEE AND LABOR PRACTICES

Employee Rights and Benefits

The Group appreciates its employees as a valuable asset. The Group provides a competitive remuneration package to employees and periodically reviews such packages with reference to industry practice. Discretionary bonuses and share options might be granted to employees based on the assessment of individual performance of the employees. The Group's companies in the PRC annually reviewed remuneration package of employees based on the development of the society, increase in consumer prices and corporate results to maintain the employee remuneration at a reasonable level. In addition, pensions, work-related injury insurances, medical insurances, maternity insurances, unemployment insurances and housing provident funds are paid for employees as required by the laws to ensure various legitimate interests of its employees. At the same time, the Companies advocate for fair competition and are against discrimination to ensure equal starting salaries for different genders and equal pay for equal work.

In terms of employment management, the Group strictly complies with relevant laws and regulations such as the Labour Law, the Labour Contract Law, the Law on the Protection of Women's Rights and Interests and Special Provisions on Labour Protection for Female Workers in the PRC to ensure the legitimate rights and interests of employees. The Group has not only established a comprehensive labour relations management system, but also put in place a stringent recruitment system and procedures to prevent the occurrence of irregularities such as child labour and forced labour. If any problem is found, it will be immediately investigated and appropriate measures will be taken to prevent its recurrence in the future. During the year 2025, the Group has not violated any laws and regulations relating to the employment of employees, labour standards or health and safety.

In respect of remuneration and benefits, the Group regularly reviews the remuneration structure with reference to industry practices and may grant incentives and/or share options to employees based on their individual performance evaluation, in order to motivate employees and encourage their loyalty. The Group adjusts the level of overall remuneration annually in accordance with the development of society, rising prices and corporate efficiency, and strives to keep the remuneration of its employees at a reasonable level. In addition, the Group pays pension insurance, work injury insurance, medical insurance, maternity insurance, unemployment insurance and housing fund for its employees in accordance with the law. The Group also advocates fair competition, opposes any form of discrimination, and realizes equal pay for equal work for both male and female employees to protect the equal rights and interests of all employees.

Total workforce

As at 31 December 2025, the Group had 5,472 employees. Details of employees from three subsidiaries under reporting scope are set out below.

		31 December 2025	31 December 2024
Total		**5,187**	5,857
By gender	Male	**2,886**	3,272
	Female	**2,301**	2,585
By age	18-30	**2,149**	2,775
	31-50	**2,654**	2,729
	Over 50	**384**	353
By education level	Doctorate	**17**	20
	Post graduate	**208**	184
	Bachelor	**1,127**	1,246
	Tertiary	**1,803**	2,044
	Technical secondary school and below high school	**2,032**	2,363
By region	Mainland China	**5,187**	5,857
By employment type	Full-time	**5,187**	5,857
	Part-time	**0**	0

EMPLOYEE AND LABOR PRACTICES *(Continued)*

Employee Rights and Benefits *(Continued)*

Employee turnover rate

		2025 Number of employees	2025 %	2024 Number of employees	2024 %
Total		**960**	**18.5%**	858	14.6%
By gender	Male	**585**	**20.3%**	473	14.5%
	Female	**375**	**16.3%**	385	14.9%
By age	18-30	**605**	**28.2%**	574	20.7%
	31-50	**311**	**11.7%**	255	9.3%
	Over 50	**44**	**11.5%**	29	8.2%

The Group actively organized employee care activities to enhance the well-being of employees through various means. During the Reporting Period, Shijiazhuang No.4 Pharma organized a "Winter Warming（冬送溫暖）" care initiative when the cold winter arrives, visiting outdoor posts to provide employees with cold-resistant items such as cotton gloves, knee pads and cotton caps, conveying warmth and care during the cold season. Meanwhile, during the hot summer months, it also launched the "Summer Cooling（夏送清涼）" encouragement program, providing heat-relief supplies and expressing support to outdoor workers in the warehouse, logistics and security roles. These activities not only demonstrated that the Companies profound commitment to the health and well-being of its employees, but also further enhanced employees' workplace satisfaction and sense of belonging.

Occupational Health and Safety

The Companies strictly comply with the GMP standard and the relevant regulations of the Order of the Ministry of Human Resources and Social Security, Social Insurance Law, Prevention and Control of Occupational Diseases and the Regulation on Work-Related Injury Insurances, and has established a comprehensive occupational health and safety management system and implemented comprehensive safety management measures. In order to enhance the effectiveness of occupational health management, the Companies have set up a health and safety committee and formulated a number of systems for staff at all levels, including the production safety responsibility system, performance assessment, safety inspections, risk assessment, emergency drills, personal protection and safe operation, etc., to continuously improve the health and safety management system. At the same time, the Companies have set up full-time and part-time environmental, occupational health and safety management (EHS) management staff, and regularly implement the continuous improvement model of "Plan, Do, Check and Act (PDCA)" to strengthen the work of occupational health management.

EMPLOYEE AND LABOR PRACTICES *(Continued)*

Occupational Health and Safety *(Continued)*

The Companies are committed to providing a safe and reliable working environment for their employees. The Companies not only regularly evaluate and upgrade fire-fighting facilities, safety and medical emergency equipment in each workshop, but also provide employees with a good environment for office and production. The Companies strictly comply with the relevant laws and regulations such as the Fire Control Law, the Code for Fire Protection and Prevention of Buildings, the Work Safety Law and the Regulation on the Safety Management of Hazardous Chemicals, and regularly evaluate and upgrade the fire service facilities, safety and emergency equipment in the workshops, and carry out rigorous hardware modifications and risk control especially for the premises where flammable and explosive chemicals are used. In order to further improve the safety management level, the Companies clarify the main responsibility of the departments, and carry out a comprehensive mechanical protection assessment of mechanical equipment, installations and production lines in the plant, especially for the equipment with a higher risk of personal injury, and installs the corresponding protective devices, so as to fundamentally reduce the possibility of accidents, and at the same time, improve the safety performance of the equipment. The Companies regularly carry out safety risk classification and control, and potential danger investigation and management, to identify and assess risks from the source, and discover blind spots and loopholes in risk control in time through potential danger investigation, so as to realize effective risk management and control.

The Companies have launched a series of process optimization and improvement work focusing on key aspects such as process safety management, machinery protection, Lockout/Tagout, job safety analysis, emergency preparedness and response, fire safety management, visual management, the 5S methodology, high-risk operations, road traffic safety and health and safety knowledge education, so as to promote the steady improvement of the overall level of enterprise safety management. Concurrently, we have enhanced pre-employment safety training, implemented regular safety inspections, and established routine safety meetings. Inspection findings are promptly communicated, with corrective actions mandated within specified deadlines. Only upon successful verification and approval are items closed out, establishing a traceable closed-loop management system.

EMPLOYEE AND LABOR PRACTICES *(Continued)*

Occupational Health and Safety *(Continued)*

During the Reporting Period, the Companies revised and improved the *Essential Knowledge for Production Safety Handbook*, formulated plans and carried out special initiatives including year-end and year-beginning comprehensive safety production inspection and rectification, "Three Basics" and "Three Disciplines" safety work, and the "100-Day Campaign" for production safety. At mid-year, the Company summarised and announced key safety hazard categories, and refined and revised the *Detailed Assessment Rules for General Safety Hazards* to strengthen safety foundation management in an institutionalised manner. In terms of year-round safety education and promotion, Shijiazhuang No.4 Pharma launched the "Safety Production Month" campaign in June 2025, with the theme of "Everyone Speaks Safety, Everyone Can Respond to Emergencies – Identifying Nearby Safety Hazards". Activities including warning education, thematic training, hazard inspection and on-site emergency drills were conducted to enhance employees' ability to identify hazards and respond to emergencies, fostering an atmosphere of full participation in safety management. In line with the national "Fire Safety Month" in November of the same year, Shijiazhuang No.4 Pharma organised comprehensive emergency fire drills, comprising fire safety training and on-site practical exercises, to comprehensively test and enhance employees' fire response and on-site coordination capabilities. The Companies will continue to consolidate the primary responsibility for fire and safety management through regular training and drills, supporting the safe and stable development of the enterprise.

The Companies take the personal health of its employees seriously and provide corresponding resources and support. On the production line, the Companies have installed effective dust removal equipment, ventilation systems and soundproofing devices in places where dust, odor or noise may be involved, and have also equipped the necessary personal protective equipment, such as earplugs, ear muffs, goggles, dust masks and protective clothing, to minimize the potential impact of occupational hazards on the health of employees. In addition, the Companies provide regular health checkups and occupational health checkups for employees who are directly or indirectly in contact with the production process. For those who are engaged in positions with occupational hazards, the Companies regularly commission occupational disease control organizations to conduct professional health checkups, and establish a complete occupational health file for each employee undergoing the checkups, to ensure that his/her rights and interests in respect of occupational health are adequately safeguarded.

In order to enhance the awareness of occupational health and safety of all employees, the Companies regularly organize relevant training according to the Occupational Health Training Program, which effectively enhances the employees' awareness of self-health protection. In addition, in response to the government's call, the Companies launched the "One Day Donation（一日捐）" employee mutual aid activity to help employees and their families members who suffer from family difficulties due to major illnesses or accidents, demonstrating the Companies' high regard and humanistic care for the well-being of their employees. In 2025, the Companies obtained the certification of the Level Three Enterprise for Standardization of Production Safety.

EMPLOYEE AND LABOR PRACTICES *(Continued)*

Occupational Health and Safety *(Continued)*

	2025	2024	2023
Work-related fatalities	**0**	0	0
Rate of work-related fatalities (by number of employees)	**N/A**	N/A	N/A
Lost days due to work-related injury	**2,642**	3,106	1,404

Training and Developing

In terms of staff development, the Group pays special attention to the enhancement of employees' capability enhancement and career development, and is committed to providing employees with a full range of opportunities. Every year, the Group invests resources in systematic staff training, including new employee training, GMP training, legal and regulatory training, professional skills training and leadership training in order to ensure that employees can achieve comprehensive growth in terms of professional knowledge, vocational skills and overall quality.

In terms of new employee development, Shijiazhuang No.4 Pharma conducted a four-day systematic onboarding training programme for new hires and interns in July 2025, covering GMP standards, pharmaceutical quality regulations, corporate culture and team building, combined with on-site production observation. This enabled participants to rapidly establish a comprehensive understanding of the pharmaceutical industry, smart manufacturing scenarios and quality management requirements, successfully completing the transition from campus to workplace and laying a career foundation of "Quality First, Compliance Paramount". Meanwhile, Shijiazhuang No.4 Pharma held a centralised training programme for internal trainers in February 2025, focusing on the dual enhancement of "Professional Competence and Training Capability". Through modular training in teaching techniques, case design, courseware development and interactive classroom management, the programme assisted in training key personnel to distill business experience into replicable knowledge assets, further strengthening the curriculum development and knowledge transfer capabilities of the internal trainer team. Through the continuous improvement of the "Attract, Cultivate, Utilise and Retain" talent ecosystem, the Company is committed to creating a more attractive and developmental learning environment, facilitating the effective transformation of training outcomes into organisational capabilities and drivers of corporate development.

During the Reporting Period, all employees participated in the training, with the percentage of trained employees reaching 99.8% and the average training hours per employee amounting to approximately 96.7 hours, fully demonstrating a high level of emphasis on talent cultivation.

EMPLOYEE AND LABOR PRACTICES *(Continued)*

Training and Developing *(Continued)*

Percentage of employees trained

		2025	2024
By gender	Male	**99.7%**	100%
	Female	**100%**	100%
By category	Management	**98.0%**	100%
	Executive	**99.3%**	100%
	Non-Executive	**99.9%**	100%

Average number of training hours per employee

		2025	2024
By gender	Male	**94.7 hours**	87.0 hours
	Female	**99.2 hours**	89.6 hours
By category	Management	**77.8 hours**	51.0 hours
	Executive	**72.2 hours**	40.7 hours
	Non-Executive	**98.3 hours**	91.1 hours

OPERATIONS AND PRODUCTION

Supply Chain Risk Management

The Group has always placed great emphasis on building robust partnerships with suppliers, viewing them as an important foundation for driving both short-term and long-term business objectives. To ensure the quality of raw material and the continuous provision of high-quality products to customers, the Group actively promotes synergy and cooperation with suppliers. The Companies have formulated the *Material Procurement Tender Management System* and the *Supplier Quality Assessment Management System* to standardize supplier approval process and encourage the adoption of environmentally compliant materials and partners.

In terms of supply chain risk management, the Companies clearly define the responsibilities of personnel in various departments, and through a series of institutionalized measure including the supplier quality profiling, standard setting, on-site and desktop audits, quality assessment, trial inspection and issue resolution, comprehensively identifies and controls environmental and social risks that may be brought by raw materials and suppliers, further strengthening quality assurance across the supply chain. For quality audits, the Companies conduct regular on-site or documentary reviews according to material categories, covering personnel organization, factory facilities, material management, process flows, production management, quality control laboratory equipment and document management, thereby comprehensively assessing suppliers' quality assurance systems.

During the Reporting Period , the Group cooperated with approximately 1,672 suppliers, of which 99% were from the PRC and the rest were mainly from South Korea and Germany.

OPERATIONS AND PRODUCTION *(Continued)*

Intellectual Property Protection

The Group attaches great importance to the protection and management of intellectual property rights and has established a complete management structure and operational processes covering patent layout, application and maintenance, to ensure comprehensive protection of technology research and development achievements and production activities.

In terms of patent management, the Companies have established a Patent Affairs Department as the dedicated unit responsible for coordinating intellectual property strategies and promoting the implementation of relevant work across various departments. Meanwhile, the Group has formulated a comprehensive management documentation system in accordance with the *Requirements for Corporate Intellectual Property Compliance Management Systems* (GB/T29490-2023), combined with its own operational model. This system includes core policies such as the *Patent Management Rules*, *Invention Reward Measures*, *Trademark Management Regulations* and *Intellectual Property Confidentiality Clauses*, supported by specific operational guidelines including the *Patent Application Procedure*, *Patent Fee Payment Procedure* and *Patent Search Procedure*. The establishment of these systems and guidelines provides a clear framework for intellectual property management, enabling relevant work to be carried out in an orderly manner and continuously optimized.

The Group has adopted comprehensive management measures for patent maintenance. For the production and operation process, the Companies have established a patent infringement early warning and risk monitoring mechanism and conducts regular risk assessments on intellectual property. To ensure thorough reviews can be completed before project initiation and patent applications, the Companies implement the "Patent Search Report" system to strengthen the examination of technology and intellectual property rights. As of 31 December 2025, the Group had a total of 345 valid patent applications, including 190 invention patents, 149 utility model patents, 6 international invention patents. During the Reporting Period, no patent infringement incidents or related disputes occurred.

Research and Development Ethics

In the course of research and development, the Group has always taken compliance with relevant laws and regulations as a fundamental principle, and regards animal welfare and ethics as a core consideration, fully respecting the contribution and sacrifices made by laboratory animals in the scientific research process. The Companies strictly adhere to the provisions of laws and regulations such as the *Regulation on the Administration of Laboratory Animals* of the PRC, and have established a comprehensive institutional framework, including *Laboratory Animals Welfare Ethical Review Management System* and *Laboratory Animal Welfare Ethical Review Operating Procedures*. The establishment of these systems and operational procedures ensures that all animal experiments are conducted within a legal and compliant framework, while minimizing unnecessary harm to laboratory animals.

OPERATIONS AND PRODUCTION *(Continued)*

Accessibility of Pharmaceutical Products

The Group is dedicated to enhancing the accessibility of pharmaceutical products and assisting patients in obtaining the treatment solutions they need through a variety of ways. In product development and production, the Companies continuously optimize their processes, reduce costs and improve efficiency, narrowing the price gap through economies of scale to enable more patients to access high-quality medicines at reasonable prices. Currently, 28 products have been included in the National Centralised Procurement list, and a further 66 products are included in the provincial centralised procurement lists, significantly alleviating the out-of-pocket burden on patients. Meanwhile, 87 generic drugs have been listed in the *National Essential Medicines List (2018 Edition)*, ensuring the supply of medicines in primary healthcare institutions. In terms of pricing, the Companies comprehensively consider production costs and the prices of similar medicines in the market, taking into account the economic conditions and disposable incomes of residents in different regions to make reasonable adjustments, thereby ensuring that product prices remain affordable.

Products & Services

Product Quality and Safety

The Group has established a comprehensive product quality management system with the GMP standard as its foundation. Through regular internal audits, the Companies can identify and address potential issues in the production process in a timely manner and formulate corresponding corrective and preventive actions (CAPA) to ensure the stability and reliability of product quality.

In terms of after-sales service and quality tracking, the Companies have set up a dedicated quality service department responsible for handling feedback, enquiries and complaint. This department has also established a complete after-sales service framework, encompassing functions such as a traceable product system, quality feedback mechanism, assistance in product recall, tracking of substandard products and adverse drug reaction monitoring, supported by detailed management systems and standard operating procedures to ensure prompt responses to market complaints and enquiries. During the Reporting Period, the Companies received a total of 78 complaints relating to product quality and service, all of which were responded to and resolved.

In response to the update of quality standards or regulations, the Companies also organize staff training in a timely manner to ensure that production and operation processes are in compliance with the latest regulations and to provide accurate information to customers.

To enhance the stability and reliability of product quality, in September 2025, Shijiazhuang No.4 Pharma responded to the national “Quality Month” campaign with the theme “Quality Consciousness Starts from the Heart, Fulfilling Principal Responsibilities”, and carried out a series of activities including quality seminars, knowledge competitions and skills training, further strengthening employees’ awareness of quality responsibility, promoting the implementation of total quality management in daily work, and fostering a corporate culture where everyone pays attention to and safeguards quality.

OPERATIONS AND PRODUCTION *(Continued)*

Products & Services *(Continued)*

Product Quality and Safety *(Continued)*

During the Reporting Period, the Company had not recalled any sold or shipped products for safety or health reasons. For drugs that have exceeded their expiry dates, the Companies follow the *Substandard Pharmaceutical Products Management System* for proper disposal, including quality appraisal, registration for scrapping and destruction, to prevent them from entering the market and posing safety risks. Meanwhile, the Companies actively collaborate with their customers in managing inventory levels to reduce large-scale returns or exchanges arising from overstocking or sluggish sales.

Customer Privacy Protection

The Companies adhere to strict compliance principles regarding customer information and privacy protection. Data collection is conducted only after establishing a business relationship and obtaining the customer's explicit informed consent, with usage strictly limited to commercial transactions. To ensure information security, the Companies has established a comprehensive management system that standardizes processes including collection, storage, usage, archiving, and destruction, covering both paper documents and electronic data management. To prevent personal data leaks or misuse, the companies conduct regular oversight and inspections to ensure system implementation. Furthermore, through ongoing internal training, employees' privacy awareness and operational standards are enhanced, further strengthening the security of customer information.

Anti-Corruption

The Companies have established and implemented comprehensive systems in their operating locations to prevent bribery and corruption, including but not limited to the *Criminal Law of the PRC* and the *Anti-Unfair Competition Law of the PRC* and the *Prevention of Bribery Ordinance* (Cap. 201 of the Laws of Hong Kong). The Companies' anti-corruption and anti-bribery policy aims to (i) set out the Group's obligations and the responsibilities of those working on behalf of the Group in complying with and upholding the Group's position; and (ii) provide information and guidance on how to identify and deal with bribery and corruption issues. The Companies are always committed to the principles of integrity, transparency and ethics, and strictly comply with anti-corruption laws and regulations, so as to maintain a fair competitive environment in the pharmaceutical distribution industry. The Group rejects any form of commercial bribery and unfair competition practices in both sales and procurement. To ensure that employees fully understand and comply with anti-corruption regulations, the Companies have established strict supervision, management and training mechanisms, which are implemented through continuous training. Board members also receive anti-corruption information provided by directors' training and the Independent Commission Against Corruption of Hong Kong on a regular basis to enhance their knowledge and practice of clean business operations. The Group also conducts regular anti-corruption training for employees, covering relevant regulations, codes of conduct and corruption risk identification, so as to strengthen the implementation of internal controls, enhance integrity awareness and promote the development of a culture of integrity.

The Group has also formulated a whistleblowing policy which aims to (i) provide reporting channels and guidelines for reporting possible misconduct and to assure persons reporting their concerns under this policy (the "Whistle-blower") that they will not be unfairly disciplined or victimized for making any truthful reports; and (ii) allow fair and independent investigations into the above matters and take appropriate follow-up actions.

During the year 2025, the Group has not violated any of the above anti-corruption laws and regulations.

COMMUNITY AND PUBLIC WELFARE

As a socially responsible enterprise, the Group is actively involved in social welfare endeavors while pursuing corporate growth and protecting the interests of its shareholders and investors. Based on the business philosophy of "Satisfy people with quality based on honesty", the Group always puts the interests of the pharmaceutical market and end-patients in the first place while pursuing its own development, and actively fulfills its corporate social responsibilities, so as to inject more energy into the sustainable development of the society, the economy and the environment.

During the Reporting Period, the Group's donations to social welfare causes amounted to approximately RMB1.23 million (2024: RMB1.38 million), which were mainly used for education and medical construction projects. These funds were used to promote academic research and improve medical treatment in urban and rural areas, benefiting organizations such as Red Cross Society of Hebei province, China Primary Health Care Foundation and other public welfare organizations.

The Companies also actively promote cooperation in education and are committed to nurturing more professional talent for the community through university-enterprise partnerships, academic practice and international exchanges, as well as promoting technological innovation and cooperation among regions. In the area of education, the Companies established a student internship and practical training base in collaboration with the School of Pharmacy at Lanzhou University in April 2025, holding an unveiling ceremony. Leveraging the university's research capabilities and the Companies' R&D and production platforms, this initiative explores an integrated "industry-academia-research-application" talent development model. The base will provide students with multi-position training covering pharmaceutical R&D, formulation production, and quality control. Supported by a dual-mentor system and collaborative research mechanisms, it will continuously supply high-level pharmaceutical talent to advance the high-quality development of the Companies and the local biomedical industry. The first cohort of students participating in the base's internship program has already commenced practical training at the Companies, establishing a regularized model of university-enterprise collaborative education. In December of the same year, the Companies conducted exchange visits with Hebei Vocational College of Chemical Engineering and Medicine to advance "enterprise outreach for job expansion and employment promotion" and deepen industry-education integration, finalizing cooperative arrangements. Both parties reached consensus on cultivating skilled talent, establishing internship bases, and implementing "enterprise-based workstations." They will promote resource sharing and complementary strengths in aligning professional chains, industrial chains, and talent pipelines. the Companies will continue opening its R&D and manufacturing facilities for teaching and training purposes. The college will enhance its curriculum and "micro-specialty" design to address the industry's digital and intelligent transformation, jointly boosting students' employment competitiveness and achieving mutual empowerment and multi-party win-win outcomes.

The Group also acted swiftly during public emergencies to safeguard public health. In the summer of 2025, when severe flooding struck Xinglong and Luanping in Chengde, Hebei Province due to torrential rains, Shijiazhuang No.4 Pharma swiftly activated its emergency response mechanism. Within 24 hours, coordinating production, warehousing, logistics, and sales, the Companies mobilized and delivered ten types of urgently needed medications — including basic IV solutions, antibiotics, and cardiovascular drugs—worth RMB 4.695 million to the disaster areas. These supplies were immediately distributed to evacuation centers. This swift and orderly relief effort provided crucial support for local rescue operations and received full recognition from provincial authorities.

Looking ahead, the Group will continue leveraging its professional expertise to serve society, deepening initiatives in green pharmaceuticals and disaster relief to safeguard public health.

APPENDIX: ESG REPORTING CODE CONTENT INDEX

Part C: General Disclosure and KPIs		
Subject Areas and Aspects	**General Disclosure and KPIs**	**Chapter in the Report**
Environmental		
A1 Emissions	General Disclosure	Emissions management
	KPI A1.1	Types of emissions and amount of emissions
	KPI A1.2	Types of emissions and amount of emissions
	KPI A1.3	Types of emissions and amount of emissions
	KPI A1.4	Types of emissions and amount of emissions
	KPI A1.5	Management of ESG objectives and performance, types of emissions and amount of emissions
	KPI A1.6	Management of ESG objectives and performance, emissions management
A2 Use of Resources	General Disclosure	Resource management
	KPI A2.1	Types of resources and energy used and their consumption
	KPI A2.2	Types of resources and energy used and their consumption
	KPI A2.3	Management of ESG objectives and performance, Use of energy
	KPI A2.4	Management of ESG objectives and performance, Use of water resources
	KPI A2.5	Types of resources and energy used and their consumption
A3 Environment and Natural Resources	General Disclosure	Resource management
	KPI A3.1	Resource management

APPENDIX: ESG REPORTING CODE CONTENT INDEX *(Continued)*

Part C: General Disclosure and KPIs		
Subject Areas and Aspects	**General Disclosure and KPIs**	**Chapter in the Report**
Social		
B1 Employment	General Disclosure	Employee and Labor Practices
	KPI B1.1	Total workforce
	KPI B1.2	Employee turnover rate
B2 Health and Safety	General Disclosure	Occupational Health and Safety
	KPI B2.1	Occupational health and safety data
	KPI B2.2	Occupational health and safety data
	KPI B2.3	Occupational Health and Safety
B3 Development and Training	General Disclosure	Training and Developing
	KPI B3.1	Percentage of employees trained
	KPI B3.2	Average number of training hours per employee
B4 Labour Standards	General Disclosure	Employee and Labor Practices
	KPI B4.1	Employee and Labor Practices
	KPI B4.2	Employee and Labor Practices
B5 Supply Chain Management	General Disclosure	Supply chain risk management
	KPI B5.1	Supply chain risk management
	KPI B5.2	Supply chain risk management
	KPI B5.3	Supply chain risk management
	KPI B5.4	Supply chain risk management

APPENDIX: ESG REPORTING CODE CONTENT INDEX *(Continued)*

Part C: General Disclosure and KPIs		
Subject Areas and Aspects	**General Disclosure and KPIs**	**Chapter in the Report**
B6 Product Responsibility	General Disclosure	Operating and production
	KPI B6.1	Product quality and safety
	KPI B6.2	Product quality and safety
	KPI B6.3	Intellectual property protection
	KPI B6.4	Product quality and safety
	KPI B6.5	Customer privacy protection
B7 Anti-corruption	General Disclosure	Anti-corruption
	KPI B7.1	Anti-corruption
	KPI B7.2	Anti-corruption
	KPI B7.3	Anti-corruption
B8 Community Investment	General Disclosure	Community and public welfare
	KPI B8.1	Community and public welfare
	KPI B8.2	Community and public welfare

APPENDIX: ESG REPORTING CODE CONTENT INDEX *(Continued)*

Part D: Climate-related Disclosure				
Aspects	**Disclosure Requirements**			**Chapter and Notes in the Report**
Governance	19.	(a)	Information about the governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities	Statement of the Board; Climate Change – Governance
		(b)	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	
Strategy	20.	Climate-related risks and opportunities		Climate Risks and Opportunities
	21.	Business model and value chain		Climate Risks and Opportunities
	22-23.	Strategy and decision-making		Climate Change – Strategy
	24.	The current financial effect		Climate Change – Strategy
	25.	The anticipated financial effect		Climate Change – Strategy
	26.	Climate resilience		Climate Change – Strategy

APPENDIX: ESG REPORTING CODE CONTENT INDEX *(Continued)*

Part D: Climate-related Disclosure			
Aspects	**Disclosure Requirements**		**Chapter and Notes in the Report**
Risk Management	27.	Processes and related policies for identifying and assessing climate-related risks and opportunities, prioritising them, and monitoring them on an ongoing basis	Climate Change – Risk Management
Metrics and Targets	28-29.	Greenhouse gas emissions	Climate Change – Metrics and Targets
	30.	Climate-related transition risks	At present, we primarily use qualitative descriptions to outline the impact on the assets and business activities, as well as related opportunities, and we plan to provide further disclosure of quantitative analysis results in future reports.
	31.	Climate-related physical risks	
	32.	Climate-related Opportunities	
	33.	Capital deployment	Climate Change – Metrics and Targets
	34.	Internal carbon prices	The Group has not yet implemented internal carbon prices.
	35.	Remuneration	The Group has not yet linked climate-related considerations to its remuneration policies and plans to explore the possibility in the future.
	36.	Industry metrics	The Group will assess the feasibility of disclosing cross-industry and industry-specific metrics in the future.
	37-40.	Climate-related targets	The Group will assess the feasibility of setting greenhouse gas emission targets in the future.
	41.	Applicability of cross-industry metrics and industry-based metrics	The Group will assess the feasibility of disclosing cross-industry and industry-specific metrics in the future.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") of SSY Group Limited (the "Company") present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 13 to the financial statements.

BUSINESS REVIEW

Discussions and reviews of the Group's business are contained in the Management Discussion and Analysis as set out on pages 12 to 19. These discussions form part of this Report of the Directors.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by business segments for the year ended 31 December 2025 is set out in note 4 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 94 to 95.

DIVIDENDS

For the year ended 31 December 2025, an interim dividend of HK$0.05 per share (2024: HK$0.08 per share) was declared on 28 August 2025 and paid on 26 September 2025. The Board recommended a final dividend of HK$0.03 per share (2024: HK$0.095 per share) which, together with the interim dividend, will result in total dividends of HK$0.08 per share for the year ended 31 December 2025 (2024: HK$0.175 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 180.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in the consolidated statement of changes in equity and in note 27(c) to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 27(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company had distributable reserves of approximately HK$538,123,000 (2024: HK$433,318,000) calculated in accordance with the Companies Law of the Cayman Islands. The Company's share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares. As at 31 December 2025 and 31 December 2024, the share premium account was nil balance.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Board considers that purchase of its shares by the Company under suitable market condition and funding arrangement will enhance net asset value and/or earnings per share of the Company, and thus will benefit the Company and the shareholders as a whole. Furthermore, the Board considers that purchase and resale/transfer of treasury shares (instead of cancellation) will give the Company additional flexibility in managing its capital structure and in granting of shares for its share schemes (by transferring out of treasury). Save for the purchase of 52,300,000 shares which details are set out in the next paragraph, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2025. The Company has not sold/transferred any treasury shares of the Company for the year ended 31 December 2025.

During the year ended 31 December 2025, the Company acquired an aggregate of 52,300,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$154,447,000 which details are set out below. As at 31 December 2025, 6,100,000 shares of the above shares have been cancelled, and the remaining 46,200,000 shares, which were purchased under the repurchase mandate granted on 16 May 2025, were held as treasury shares of the Company.

Month of the purchases	**Number of shares purchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate consideration** (inclusive of fees and charges) *(HK$)*
January 2025	3,300,000	3.45	3.19	10,751,000
April 2025	2,800,000	3.44	3.33	9,588,000
Total number of shares cancelled	**6,100,000**			**20,339,000**
June 2025	16,600,000	2.85	2.61	45,857,000
September 2025	11,900,000	3.06	2.92	35,680,000
October 2025	15,700,000	3.13	2.85	46,587,000
November 2025	2,000,000	3.00	2.96	5,984,000
Total number of shares held as treasury shares	**46,200,000**			**134,108,000**

PURCHASE, SALE OR REDEMPTION OF SECURITIES *(Continued)*

Subsequent to the year ended 31 December 2025 and up to date of this Annual Report, the Company further acquired an aggregate of 5,670,000 ordinary shares through purchases on the Stock Exchange which were held as treasury shares of the Company. Hence, as at date of this Annual Report, a total of 51,870,000 shares were held as treasury shares of the Company.

SHARE SCHEMES

2012 Share Option Scheme

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board adopted a share option scheme which, unless otherwise cancelled or amended, was valid and remained in force for a period of 10 years from 20 September 2012 (the "2012 Share Option Scheme").

On 12 January 2021 (the "Date of Grant"), the Company granted 100,000,000 share options to certain management staff of the Group who were not the Directors of the Company at the Date of Grant pursuant to the 2012 Share Option Scheme, representing approximately 3.285% of the issued share capital as at the date immediately before share options were granted. The closing price of the Shares immediately before the Date of Grant (i.e. 11 January 2021) was HK$4.00 per Share. The exercise price was HK$4.218. The exercisable period was from 12 January 2021 to 11 January 2026. Subsequent to the Date of Grant, two grantees namely Mr. Meng Guo and Mr. Chow Hing Yeung were appointed as executive directors of the Company on 27 August 2021. The 2012 Share Option Scheme has expired on 19 September 2022. No further options can be offered or granted upon the expiration of the 2012 Share Option Scheme.

During the year ended 31 December 2025, the movement of the total number and the details of the grantees of the above share options granted under the 2012 Share Option Scheme are shown as follows:

	2025	2024
Outstanding at the beginning of the year	**100,000,00**	100,000,000
Granted during the year	**–**	–
Exercised during the year	**–**	–
Lapsed during the year	**–**	–
Outstanding and exercisable at the end of the year	**100,000,00**	100,000,000

Directors of the Company

				Number of share options			
Name of Director	**Date of grant**	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2025**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2025**
Mr. Meng Guo	12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	20,000,000	–	–	20,000,000
Mr. Chow Hing Yeung	12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	2,000,000	–	–	2,000,000

SHARE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Employees (not directors of the Company)

			Number of share options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2025**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2025**
12 Jan 2021	HK$4.218	12 Jan 2021 – 11 Jan 2026	78,000,000	–	–	78,000,000

Since 12 January 2026 and as at date of this Annual Report, all of the above share options granted under the 2012 Share Option Scheme have not been exercised by the grantees within the exercisable period, and thus have been expired and lapsed. For disclosure purpose only, as at 31 December 2025, the above share options granted under the 2012 Share Option Scheme remained outstanding with a weighted average exercise price of HK$4.218 and a remaining contractual life of approximately 0.03 year, and the Company would receive proceeds of HK$421,800,000 if all of them are exercised on or before 11 January 2026.

2023 Share Option Scheme

On 28 October 2022, in view of the expiration of the 2012 Share Option Scheme, the Board proposed to adopt a new share option scheme (the "2023 Share Option Scheme") in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective on 1 January 2023 to grant option(s) subscribe for ordinary share(s) of the Company (the "Share Option(s)") to the Eligible Participants including Employee Participant(s), Related Entity Participant(s) and Service Provider(s), all as defined in the 2023 Share Option Scheme, as incentives or rewards for their contribution or potential contribution to the Group. The 2023 Share Option Scheme was adopted by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 13 January 2023. The 2023 Share Option Scheme is valid and effective for a period of ten (10) years commencing on the Adoption Date (i.e. 13 January 2023), after which period, no further Share Options shall be offered or granted but the provisions of the 2023 Share Option Scheme shall remain in full force and effect in all other respects. Share Options granted during the life of the 2023 Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

The basis of eligibility of any of the Eligible Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution or potential contribution to the development and growth of the Group. The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board's opinion as to the Eligible Participant's contribution to the development and growth of the Group. In assessing whether Share Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Share Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

SHARE SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

Pursuant to the 2023 Share Option Scheme, offer for the grant of Share Options ("Offer") is open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 30 days from the date on which the Board resolves to make an Offer of a Share Option to an Eligible Participant (the "Offer Date"), with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. A grantee is required to hold a Share Option for not less than twelve (12) months from the Offer Date before it can be exercised. The exercise price in respect of any Share Option shall be at the discretion of the Directors, provided that it must be at least the highest of (a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (c) the nominal value of the Shares on the Offer Date. The period during which such Share Option can be exercised is determined and notified by the Board to the grantee, save that such period shall not be more than ten (10) years from the Offer Date.

The total number of Shares which may be allotted and issued upon exercise of all Share Options or share options or share awards to be granted under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (the "Scheme Limit"). The total number of Shares which may be allotted and issued in respect of all Share Options or share options or share awards to be granted to Service Providers under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date (the "Service Provider Sublimit"). The Scheme Limit and the Service Provider Sublimit may be refreshed at any time by obtaining approval of the Shareholders in general meeting after three years from Adoption Date or the date of Shareholders' approval for the last refreshment provided that the total number of Shares which may be issued in respect of all share options and shares awards to be granted under all of the share option scheme(s) or share award scheme(s) of the Company under the Scheme Limit as refreshed must not exceed 10% and the Service Provider Sublimit as refreshed must not exceed 1% of the Shares in issue at the date of the Shareholders' approval.

The total number of Shares issued and which may fall to be issued upon exercise of the Share Options and the share options and share awards granted under the 2023 Share Option Scheme or any other share option scheme(s) or share award scheme(s) of the Company (including both exercised or outstanding Share Options) to each Eligible Participant in any 12-month period shall not exceed 1% of the total number of Shares in issue unless, among other things, it is separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. Each grant of Share Options to a Director, chief executive of the Company or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed Grantee of a Share Option). Any grant of Share Options to an independent non-executive Director or a Substantial Shareholder (or any of their respective associates) would result in the Shares issued and to be issued in respect of all share options or share awards granted (excluding any share options or share awards lapsed) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Share Options shall be subject to approval by the Shareholders in general meeting at which the Grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting, and in accordance with the Listing Rules.

SHARE SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

Since the adoption of the 2023 Share Option Scheme and as at date of this Annual Report, no share option has been granted under the 2023 Share Option Scheme. As at 31 December 2025, the number of share options available for grant under the scheme mandate is 297,268,338 (31 December 2024: 297,268,338) and the Service Provider Sublimit is 29,726,833 (31 December 2024: 29,726,833).

As at 31 December 2025, the total number of Shares available for issue in respect of share options available for grant under all of the share option scheme(s) of the Company (being the 2023 Share Option Scheme only as the 2012 Share Option Scheme has expired) is 297,268,338 (31 December 2024: 297,268,338), which represented approximately 10.07% (31 December 2024: 10.05%) of the total number of issued shares of the Company as at 31 December 2025 (being 2,951,113,385 Shares) (31 December 2024: 2,957,959,385 Shares).

Since 12 January 2026 and as at date of this Annual Report, no Shares may be issued in respect of share options granted as all of the share options granted have been expired and lapsed. For disclosure purpose only, as at 31 December 2025, the number of Shares that may be issued in respect of share options granted under all of the share option scheme(s) of the Company (being the 2012 Share Option Scheme only) was 100,000,000 (31 December 2024: 100,000,000), which represented approximately 3.41% (31 December 2024: 3.38%) of the weighted average number of issued shares of the Company for the year ended 31 December 2025 (being approximately 2,932,944,000 Shares) (2024: approximately 2,962,512,000 Shares).

Restricted Share Award Scheme

The Company has adopted the Restricted Share Award Scheme on 27 December 2018, pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the "Selected Participants") until such Shares are vested in the relevant Selected Participants in accordance with the terms of the Restricted Share Award Scheme. The Restricted Share Award Scheme shall terminate upon the expiry of the period of 10 years from 27 December 2018 unless it is early terminated pursuant to this Scheme Rules by board resolution. The purpose and objective of the Restricted Share Award Scheme are to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals. The Selected Participants of the Restricted Share Award Scheme include any individual being an executive director, employee, officer of the Company or any subsidiary.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the Restricted Share Award Scheme. The Board shall pay to the Trustee the sum of the price of the Shares together with all related purchase expenses required for the completion of the purchase of all the Shares to be granted (the "Referable Amount") from the Company's resources as soon as possible. Within 20 business days (or such longer period as the Trustee and the Board may agree from time to time) of receiving the Referable Amount, the Trustee shall apply the same towards the purchase of the Shares on the Stock Exchange. After the Board has determined the number of Shares to be granted and the Selected Participants, it shall notify the trustee and the Selected Participants in writing on the proposed Grant Date. Upon receipt of the notification, the Selected Participants are required to confirm their acceptance by returning to the Board a notice of acceptance duly executed by them within 28 days after the Grant Date. The vesting of the Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any subsidiary. Subject to the vesting conditions set out in the Restricted Share Award Scheme, any Share held by the Trustee on behalf of a Selected Participant pursuant to the Restricted Share Award Scheme would vest in such Selected Participant in accordance with the vesting schedule as determined by the Board from time to time.

SHARE SCHEMES *(Continued)*

Restricted Share Award Scheme *(Continued)*

The maximum number of shares which the trustee may purchase with funds contributed by the Group amounts to 60,280,507 Shares, representing 2% of the issued shares of the Company as at 27 December 2018 and approximately 2.04% (31 December 2023: 2.04%) of the total number of issued shares of the Company as at 31 December 2025 (being 2,951,113,385 Shares) (31 December 2024: 2,957,959,385 Shares). The maximum number of shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued shares of the Company as at 27 December 2018, and the transactions involved shall be in compliance with the requirements of Chapter 14A of the Listing Rules if they fell under the definition of "connected transactions" in Chapter 14A of the Listing Rules.

During the years ended 31 December 2025 and 2024, no Shares has been purchased by the Trustee pursuant to the Restricted Share Award Scheme as restricted shares, and no restricted share has been granted to any Selected Participants. Hence, as at 31 December 2024, 31 December 2025 and date of this Annual Report, the number of restricted shares available for grant under the Restricted Share Award Scheme is 3,300,000 Shares, which represented approximately 0.11% (31 December 2024: 0.11%) of the total number of issued shares of the Company as at 31 December 2025 (being 2,951,113,385 Shares) (31 December 2024: 2,957,959,385 Shares). No restricted shares were vested, cancelled or lapsed pursuant to the Restricted Share Award Scheme during the years ended 31 December 2025 and 2024.

Pursuant to the Restricted Share Award Scheme, the restricted Shares will only be comprised of existing Shares to be purchased by the trustee from the market, and no new Shares will be issued to the trustee nor the Selected Participants by the Company.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to date of this Annual report were:

Executive Directors

Mr. Qu Jiguang
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung
Ms. Qu Wanrong

Non-executive Director

Mr. Liu Wenjun

Independent Non-executive Directors

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce

DIRECTORS *(Continued)*

Pursuant to Article 83(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board. Any Directors so appointed shall obtain the legal advice as regards the requirements under the Listing Rules that are applicable to them as a director of a listed issuer before their appointments as the Directors, and shall confirm they understood their obligations as a director of a listed issuer. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Pursuant to Article 84 of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any Director appointed pursuant to Article 83(3) of the Company's Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. The Board has recommended the re-appointment of the Directors for re-election at the forthcoming annual general meeting of the Company with the circular containing the details of retiring Directors to be re-elected.

The Company has received from each of the independent non-executive Directors a confirmation of his independence, and has not been informed by any of the independent non-executive Director about any subsequent change of circumstances which may affect his independence. The Company considers the independent non-executive Directors to be independent based on the factors set out in Rule 3.13 of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 20 to 21.

PERMITTED INDEMNITY

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and Senior Management arising out of corporate activities. Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 30 to the financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interests, whether directly or indirectly, subsisted as at 31 December 2025 or at any time during the year ended 31 December 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interest of Directors of the Company in businesses which was likely to compete with the Group during the year ended 31 December 2025 and up to date of this Annual Report were as follows:

As Mr. Liu Wenjun, the non-executive Director of the Company, holds position(s) in Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun", a substantial shareholder of the Company), he is deemed or may be perceived to have an interest in competing business. Sichuan Kelun is engaged in the same industry of manufacturing and selling of intravenous infusion solution as the Group. Although some of the business conducted by Sichuan Kelun are similar to those conducted by the Group, most of them are of different kinds of products and/or at different locations. The Group has been operating independently of, and at the arm's length from, the businesses of Sichuan Kelun. Furthermore, all Directors of the Company are reminded of their fiduciary duties to the Group and that they must, in the performance of their duties of directors, avoid actual and potential conflicts of interest and duty. There are three Independent non-executive Directors in the Board to ensure that the interests of the general shareholders are adequately represented. Therefore, the Board is of the view that the interests of the Group and of the shareholders as a whole are properly safeguarded.

Save as disclosed above, as at 31 December 2025 and up to date of this Annual Report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 31 December 2025, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules once the shares are listed, were as follows:

Name of Director	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the total number of issued shares of the Company
Mr. Qu Jiguang	Beneficial owner	Long	291,218,000	9.87%
	Interest in a controlled corporation *(Note 1)*	Long	890,204,000	30.16%
	Other *(Note 2)*	Long	46,200,000	1.56%
Mr. Su Xuejun	Beneficial owner	Long	24,416,000	0.83%
Mr. Meng Guo	Beneficial owner *(Note 3)*	Long	20,000,000	0.68%
Mr. Chow Hing Yeung	Beneficial owner *(Note 3)*	Long	2,000,000	0.07%

Note:

1. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited ("CPCL"). CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. Mr. Qu Jiguang, through his controlled corporation CPCL and as beneficial owner, controls one-third or more of the voting power at general meeting of the Company. Hence, he is taken to have an interest in 46,200,000 treasury shares of the Company held as treasury shares as at 31 December 2025.

3. These represent the underlying interest in shares of the Company pursuant to share options granted, among others, to Mr. Meng Guo and Mr. Chow Hing Yeung on 12 January 2021 under the 2012 Share Option Scheme. As at 31 December 2025, all of these share options remain outstanding and exercisable. Since 12 January 2026 and as at date of this Annual Report, all of these share options granted have not been exercised within the exercisable period, and thus have been expired and lapsed.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES" and "SHARE SCHEMES", at no time during the year ended 31 December 2025 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES

As at 31 December 2025, the register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that the Company had been notified of the following interests, being 5% or more of the total number of issued shares of the Company.

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the total number of issued shares of the Company
Mr. Qu Jiguang	Beneficial owner	Long	291,218,000	9.87%
	Interest in a controlled corporation *(Note 1)*	Long	890,204,000	30.16%
	Other *(Note 2)*	Long	46,200,000	1.56%
CPCL *(Note 1)*	Beneficial owner	Long	890,204,000	30.16%
Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司)	Interest in a controlled corporation *(Note 3)*	Long	467,168,000	15.83%
	Beneficial owner	Long	212,390,000	7.20%
Kelun International Development Co., Ltd (科倫國際發展有限公司) *(Note 3)*	Beneficial owner	Long	467,168,000	15.83%
UBS Group AG	Interest in a controlled corporation	Long	185,116,122	6.27%
	Interest in a controlled corporation	Short	29,081,222	0.99%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES *(Continued)*

Notes:

1. These shares were registered in the name of and beneficially owned by CPCL. CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. Mr. Qu Jiguang, through his controlled corporation CPCL and as beneficial owner, controls one-third or more of the voting power at general meeting of the Company. Hence, he is taken to have an interest in 46,200,000 treasury shares of the Company held as treasury shares as at 31 December 2025.

3. These shares were registered in the name of and beneficially owned by Kelun International Development Co., Ltd. (科倫國際發展有限公司). Kelun International Development Co., Ltd. (科倫國際發展有限公司) is held as to 100% by Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2025.

The Company has also established written guidelines to the Directors, officers and all relevant employees of the Company and its subsidiaries on securities transactions by those who may possess or have access to inside Information of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, the Group's revenue attributable to its largest customer and its five largest customers are less than 10% and 30% respectively of its total revenue, and the Group's purchases attributable to its largest supplier and its five largest suppliers are less than 10% and 30% respectively of its total purchases.

None of the Directors, their associates or any shareholders (which owns more than 5% of the Company's shareholding to the knowledge of the Directors) has interests in the Group's five largest customers and suppliers during the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2025, certain related party transactions as disclosed in note 30 to the financial statements also fell under the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Listing Rules, details of which are set out below in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2025

As the term of the 2024 Master Sale and Purchase Agreement and the 2024 Master Products Manufacturing and Transportation Services Agreement would expire on 31 December 2024, on 19 December 2024, the Company has entered into (i) the Master Sale and Purchase Agreement and (ii) the Master Products Manufacturing and Transportation Services Agreement with Sichuan Kelun to renew (i) sale and purchase of pharmaceutical materials and (ii) products manufacturing and transportation services for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2025 *(Continued)*

Pursuant to the terms of the Master Sale and Purchase Agreement, (i) members of the Group shall purchase pharmaceutical materials used for manufacturing of products of the Company and its subsidiaries (including but not limited to certain active pharmaceutical ingredients, aseptic bag and rubberised fabric) from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase pharmaceutical materials used for manufacturing of products of the Kelun Group (including but not limited to coextrusion films, rubber plugs and gaskets, and various types of bulk drugs such as azithromycin) from members of the Group, on a non-exclusive basis, subject to the entering into of individual implementation contracts as agreed between members of the Group and members of the Kelun Group. The unit prices of pharmaceutical materials purchased by the Group are determined based on the prevailing market prices from time to time for relevant materials of similar quantities and specifications to ensure that such prices and terms for pharmaceutical materials to be offered by the Kelun Group are no less favourable to the Group than those offered by other independent third-party suppliers. The unit prices of pharmaceutical materials sold by the Group and purchased by the Kelun Group shall be determined with reference to the prices of relevant comparable materials in the price lists adopted by the Company and generally applicable to all customers of the Company, and shall be no less favourable than those offered by the Group to other independent third-party purchasers in accordance with its price lists generally applicable to all customers.

Pursuant to the Master Products Manufacturing and Transportation Services Agreement, members of the Group shall engage members of the Kelun Group for (i) products manufacturing and ancillary services and (ii) products transportation services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The Products Manufacturing Services and Products Transportation Services shall be conducted on normal commercial terms, in particular, the Products Manufacturing Services and Products Transportation Services will be (i) on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual caps. The service fees for the Products Manufacturing Services and/or Products Transportation Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant manufacturing services in respect of products of similar type, quantity and quality.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the above continuing connected transactions for the year ending 31 December 2025 are less than 5%, each of them are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 19 December 2024 for the full particulars of the above continuing connected transactions for the year ending 31 December 2025.

For the year ended 31 December 2025, (i) total purchase of pharmaceutical materials from the Kelun Group by the Group and total sales of pharmaceutical materials to the Kelun Group by the Group were RMB118,232,000 and RMB56,451,000 respectively, which did not exceed the annual caps of RMB276,730,000 and RMB98,110,000 respectively under the Master Sale and Purchase Agreement; and (ii) total amounts paid by the Group to the Kelun Group in respect of the Products Manufacturing Services and the Products Transportation Services provided by the Kelun Group were RMB13,720,000 and RMB3,313,000 respectively, which did not exceed the annual caps of RMB30,000,000 and RMB7,000,000 respectively under the Master Products Manufacturing and Transportation Services Agreement.

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ended 31 December 2025 *(Continued)*

The independent non-executive Directors have confirmed that the aforesaid Continuing Connected Transactions were conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; (c) in accordance with the 2025 Master Sale and Purchase Agreement and the 2025 Master Products Manufacturing and Transportation Services Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and (d) with adequate and effective internal control procedures put in place.

The Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 auditors have issued an assurance report containing their findings and conclusions to the Board of Directors.

Continuing connected transactions with Sichuan Kelun for the year ending 31 December 2026

As the term of the 2025 Master Sale and Purchase Agreement and the 2025 Master Products Manufacturing and Transportation Services Agreement would expire on 31 December 2025, on 23 December 2025, the Company has entered into (i) the Master Sale and Purchase Agreement and (ii) the Master Products Manufacturing Service Agreement with Sichuan Kelun to renew (i) sale and purchase of pharmaceutical materials and (ii) products manufacturing service for a term commencing from 1 January 2026 and ending on 31 December 2026 (both days inclusive). The Company has also entered into the Master Research & Development Services Agreement with Sichuan Kelun, pursuant to which members of the Group shall engage members of the Kelun Group for research and development services for a term commencing from 1 January 2026 and ending on 31 December 2026 (both days inclusive).

Pursuant to the terms of the Master Sale and Purchase Agreement, (i) members of the Group shall purchase pharmaceutical materials used for manufacturing of products of the Company and its subsidiaries (including but not limited to various types of active pharmaceutical ingredients, aseptic bag and rubberised fabric) from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase pharmaceutical materials used for manufacturing of products of the Kelun Group (including but not limited to coextrusion films, rubber plugs and gaskets, and various types of bulk drugs) from members of the Group, on a non-exclusive basis, subject to the entering into of individual implementation contracts as agreed between members of the Group and members of the Kelun Group. The unit prices of pharmaceutical materials purchased by the Group are determined based on the prevailing market prices from time to time for relevant materials of similar quantities and specifications to ensure that such prices and terms for pharmaceutical materials to be offered by the Kelun Group are no less favourable to the Group than those offered by other independent third-party suppliers. The unit prices of pharmaceutical materials sold by the Group and purchased by the Kelun Group shall be determined with reference to the prices of relevant comparable materials in the price lists adopted by the Company and generally applicable to all customers of the Company, and shall be no less favourable than those offered by the Group to other independent third-party purchasers in accordance with its price lists generally applicable to all customers.

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions with Sichuan Kelun for the year ending 31 December 2026 *(Continued)*

Pursuant to the Master Products Manufacturing Service Agreement, members of the Group shall engage members of the Kelun Group for products manufacturing and ancillary services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The Products Manufacturing Service shall be conducted on normal commercial terms, in particular, the Products Manufacturing Service will be (i) on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual cap. The service fees for the Products Manufacturing Service payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant manufacturing service in respect of products of similar type, quantity and quality.

Pursuant to the Master Research & Development Services Agreement, members of the Group shall engage members of the Kelun Group for research and development services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group. The research and development services to be provided by the Kelun Group to the Group include: (1) the research and development of finished medicines and relevant technologies; and (2) testing services in respect of finished medicines. The Engagement of R&D Services shall be conducted on normal commercial terms, in particular, the Engagement of R&D Services will be (i) on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual cap. The service fees for the Engagement of R&D Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant research and development services of similar nature.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the above continuing connected transactions for the year ending 31 December 2026 are less than 5%, each of them are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 23 December 2025 for the full particulars of the above continuing connected transactions for the year ending 31 December 2026.

MANAGEMENT CONTRACT

No contract for management and administration of the whole or any substantial part of any business of the Group was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the total number of issued shares of the Company has been maintained as at the latest practicable date, being 27 March 2026, and at all times during the year ended 31 December 2025.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 22 to 35.

AUDITOR

The consolidated financial statements for the year have been audited by KPMG. The audited consolidated financial statements have been reviewed by the Audit Committee of the Company.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 2:00 p.m. on 15 May 2026 at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. A notice of annual general meeting will be published and despatched in accordance with the requirement of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 May 2026 to Friday, 15 May 2026, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 11 May 2026.

RECORD DATE FOR FINAL DIVIDEND

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Thursday, 21 May 2026 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Thursday, 4 June 2026.

On behalf of the Board

Qu Jiguang
Chairman

Hong Kong, 27 March 2026

Independent auditor's report
to the shareholders of SSY Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of SSY Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 94 to 179, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as 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"), as applicable to audits of financial statements of public interest entities. We have also 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.

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 125 and 126.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of pharmaceutical products to a significant number of customers. The Group enters into framework sales agreements with certain of its major customers which specify the terms of sales relating to pricing, goods acceptance and return, as well as credit terms. Sales to the remainder of the Group's customers are based on terms and conditions included in purchase orders. The Group's sales contracts do not include terms relating to discounts or rebates and do not permit sales returns except for where the products are damaged or defective. The Group recognises revenue when control of the goods is transferred to the customers, which is generally at the point in time when the goods are delivered to the customer's premises or a location designated by the customer for domestic sales, or in accordance with the terms and conditions of sales for export sales. We identified the timing of revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to an inherent risk of manipulation by management to meet targets or expectations and because errors in the recognition of revenue could have a material impact on the Group's profit for the year.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting, on a sample basis, framework sales agreements and purchase orders with key customers to identify terms and conditions relating to goods acceptance and the right of return and assessing the Group's policies in respect of the timing of revenue recognition with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end with underlying documentation, including shipping documents and goods acceptance notes, to assess whether revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the framework sales agreements or purchase orders; • confirming, on a sample basis, the amount of sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with underlying documentation; and • inspecting manual journal entries of adjustments relating to revenue raised during the year which met specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with underlying documentation.

KPMG

Expected credit loss ("ECL") allowance for trade receivables

Refer to notes 17 and 28(a) to the consolidated financial statements and the accounting policies on pages 114 to 116.

The Key Audit Matter

As at 31 December 2025, the gross carrying amount of the Group's trade receivables totalled HK$1,655 million, against which an allowance of HK$15.2 million for ECLs was made. The net carrying amount of the Group's trade receivables represented approximately 12.9% of the total assets as at 31 December 2025.

The Group measures the ECL allowance based on the estimated loss rates for each category of trade receivables which are grouped according to the shared credit risk characteristics. The estimated loss rates take into account the aging of the trade receivable balances and the repayment history of the Group's customers.

We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the ECL allowance requires the exercise of significant management judgement which is inherently subjective.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowance for trade receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and the estimation of the ECL allowance;

- evaluating the Group's policy for and the method of estimating the ECL allowance with reference to the requirements of the applicable accounting standard;

- assessing the reasonableness of the customer grouping of trade receivables;

- examining the information used by management to derive the loss rate, including testing, on a sample basis, whether the aging of trade receivables are categorised in the appropriate time band and the accuracy of the historical credit loss data; and

- performing the calculation of the expected credit loss allowance as at 31 December 2025 based on the Group's accounting policy to evaluate the expected credit loss allowance made by management.

KPMG

Assessing potential impairment of capitalised development costs

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 111 and 112.

The Key Audit Matter

The carrying amount of the Group's capitalised development costs totalled HK$1,021 million as at 31 December 2025.

Management performs annual impairment assessment for its capitalised development costs that were not yet available for use. For capitalised development costs available for use, management performs impairment assessment when impairment indicators are identified.

Management performs impairment assessment by comparing the carrying value of the cash-generating unit ("CGU") against its recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cashflow forecast to determine the amount of impairment which should be recognised, if any.

The preparation of discounted cash flow forecasts in assessing value in use involves the exercise of significant management judgment, in particular in assessing future revenue growth, future gross margins, forecast operating expenses and appropriate discount rates.

We identified the assessment of impairment of capitalised development costs as a key audit matter because such assessment, if any, involves a significant degree of management judgement, which can be inherently uncertain and subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assessing potential impairment of capitalised development costs included the following:

- assessing the design and implementation of key internal controls relating to impairment assessment in respect of capitalised development costs;
- comparing the data in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;
- evaluating management's identification of the impairment indicators related to the capitalised development costs and the appropriateness of the methodology adopted with reference to the requirements of the prevailing accounting standards;
- evaluating reasonableness of the forecast revenue growth, future gross margins, and forecast operating expenses by comparing with the Group's business plan and available market data;
- involving our internal valuation specialists in assessing the reasonableness of the discount rate applied by comparing with those of comparable companies; and
- performing a sensitivity analysis of the key assumptions and considering the resulting impact on the impairment assessment and whether there were any indications of management bias.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

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 the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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.

KPMG

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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 scepticism 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.

- 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 consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, 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 this independent auditor's report is LAI, Chi Yin, Frankie (practising certificate number: P05676).

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	**2025** **HK$'000**	2024 HK$'000
Revenue	4	**4,165,465**	5,773,251
Cost of sales		**(2,434,460)**	(2,864,989)
Gross profit		**1,731,005**	2,908,262
Other net income	5	**214,416**	160,943
Selling and distribution costs		**(736,170)**	(1,143,425)
General and administrative expenses		**(340,436)**	(299,210)
Research and development costs		**(244,028)**	(265,969)
Reversal of/(provision for) impairment loss on trade and other receivables		**4,125**	(6,492)
Other operating expenses	12	**–**	(10,609)
Profit from operations		**628,912**	1,343,500
Finance income		**17,437**	38,491
Finance costs		**(105,631)**	(126,881)
Finance costs – net	6(a)	**(88,194)**	(88,390)
Share of profit of an associate		**22,978**	26,493
Profit before taxation	6	**563,696**	1,281,603
Income tax	7	**(80,235)**	(205,995)
Profit for the year		**483,461**	1,075,608
Other comprehensive income for the year, net of nil tax			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**199,540**	(197,635)
Other comprehensive income for the year		**199,540**	(197,635)
Total comprehensive income for the year		**683,001**	877,973

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	**2025** ***HK$'000***	2024 *HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**470,637**	1,061,150
Non-controlling interests		**12,824**	14,458
Profit for the year		**483,461**	1,075,608
Total comprehensive income attributable to:			
Equity shareholders of the Company		**662,216**	870,411
Non-controlling interests		**20,785**	7,562
Total comprehensive income for the year		**683,001**	877,973
Earnings per share	*10*		
– Basic		**HK$0.1605**	HK$0.3582
– Diluted		**HK$0.1605**	HK$0.3581

The notes on pages 100 to 179 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	**31 December 2025** ***HK$'000***	31 December 2024 *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**5,652,304**	5,348,764
Right-of-use assets	*11*	**403,378**	392,580
Intangible assets	*12*	**1,371,781**	1,247,089
Interest in an associate	*14*	**367,210**	420,137
Deferred tax assets	*25(b)*	**62,536**	50,179
Pledged bank deposits and fixed deposits	*19*	**415**	84,010
		7,857,624	7,542,759
Current assets			
Trading securities	*15*	**46,366**	34,999
Inventories	*16*	**1,201,564**	1,109,462
Trade and bills receivables	*17*	**1,700,219**	2,226,355
Prepayments, deposits and other receivables	*18*	**237,091**	220,590
Pledged bank deposits and time deposits	*19*	**79,672**	211,813
Cash and cash equivalents	*20*	**1,690,577**	1,257,702
		4,955,489	5,060,921
Current liabilities			
Borrowings	*21*	**1,767,080**	654,927
Trade and bills payables	*22*	**281,748**	547,618
Contract liabilities		**81,152**	50,426
Accruals and other payables	*23*	**483,187**	552,349
Lease liabilities	*24*	**2,390**	2,283
Income tax payable	*25(a)*	**3,006**	13,347
		2,618,563	1,820,950
Net current assets		**2,336,926**	3,239,971
Total assets less current liabilities		**10,194,550**	10,782,730

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	**31 December 2025** *HK$'000*	31 December 2024 *HK$'000*
Non-current liabilities			
Borrowings	*21*	**2,243,720**	2,981,004
Lease liabilities	*24*	**1,476**	1,476
Deferred tax liabilities	*25(b)*	**12,498**	17,571
Deferred revenue	*26*	**316,193**	247,029
		2,573,887	3,247,080
NET ASSETS		**7,620,663**	7,535,650
CAPITAL AND RESERVES			
Share capital	*27(c)*	**65,829**	65,966
Reserves		**7,235,099**	7,154,274
Total equity attributable to equity shareholders of the Company		**7,300,928**	7,220,240
Non-controlling interests		**319,735**	315,410
TOTAL EQUITY		**7,620,663**	7,535,650

Approved and authorised for issue by the board of directors on 27 March 2026.

Qu Jiguang
Director

Su Xuejun
Director

The notes on pages 100 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based payment reserve HK$'000	Currency translation differences HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2024		66,188	9,462	168,557	599,595	67,050	(531,397)	6,553,079	6,932,534	336,158	7,268,692
Changes in equity for 2024:											
Profit for the year		–	–	–	–	–	–	1,061,150	1,061,150	14,458	1,075,608
Other comprehensive income		–	–	–	–	–	(190,739)	–	(190,739)	(6,896)	(197,635)
Total comprehensive income		–	–	–	–	–	(190,739)	1,061,150	870,411	7,562	877,973
Dividends paid to equity shareholders of the Company	*27(b)*	–	–	–	–	–	–	(534,126)	(534,126)	–	(534,126)
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(32,326)	(32,326)
Purchase and cancellation of own shares	*27(c)(ii)*	(222)	(9,462)	(2,494)	–	–	–	(32,385)	(44,563)	–	(44,563)
Acquisition of non-controlling interests in a subsidiary		–	–	(4,016)	–	–	–	–	(4,016)	4,016	–
Appropriation of reserve		–	–	–	61,103	–	–	(61,103)	–	–	–
Balance at 31 December 2024		65,966	–	162,047	660,698	67,050	(722,136)	6,986,615	7,220,240	315,410	7,535,650

		Attributable to equity shareholders of the Company									
	Note	**Share capital** ***HK$'000***	**Share premium** ***HK$'000***	**Capital reserve** ***HK$'000***	**Statutory reserve** ***HK$'000***	**Share-based payment reserve** ***HK$'000***	**Currency translation differences** ***HK$'000***	**Retained earnings** ***HK$'000***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 1 January 2025		**65,966**	**–**	**162,047**	**660,698**	**67,050**	**(722,136)**	**6,986,615**	**7,220,240**	**315,410**	**7,535,650**
Changes in equity for 2025:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**470,637**	**470,637**	**12,824**	**483,461**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**191,579**	**–**	**191,579**	**7,961**	**199,540**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**191,579**	**470,637**	**662,216**	**20,785**	**683,001**
Dividends paid to equity shareholders of the Company	*27(b)*	**–**	**–**	**–**	**–**	**–**	**–**	**(427,081)**	**(427,081)**	**–**	**(427,081)**
Dividends paid by subsidiaries to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,460)**	**(16,460)**
Purchase and cancellation of own shares	*27(c)(ii)*	**(137)**	**–**	**(131,614)**	**–**	**–**	**–**	**(22,696)**	**(154,447)**	**–**	**(154,447)**
Appropriation of reserve		**–**	**–**	**–**	**64,660**	**–**	**–**	**(64,660)**	**–**	**–**	**–**
Balance at 31 December 2025		**65,829**	**–**	**30,433**	**725,358**	**67,050**	**(530,557)**	**6,942,815**	**7,300,928**	**319,735**	**7,620,663**

The notes on pages 100 to 179 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2025
(Expressed in Hong Kong dollars)

	Note	**2025** **HK$'000**	2024 HK$'000
Operating activities			
Cash generated from operations	20(b)	**852,276**	902,649
Interest paid		**(109,013)**	(125,599)
Income tax paid	25(a)	**(108,228)**	(286,019)
Net cash generated from operating activities		**635,035**	491,031
Investing activities			
Purchase of property, plant and equipment		**(141,057)**	(318,850)
Purchase of right-of-use assets		**(30,516)**	(27,278)
Payment for additions to intangible assets		**(163,683)**	(194,297)
Proceeds from disposal of property, plant and equipment		**4,792**	1,840
Proceeds from disposal of investment in an associate		**97,866**	–
Government grants received related to property, plant and equipment	26	**94,477**	70,879
Dividends received from associate	14	**11,399**	19,750
Interest received		**35,862**	21,403
Decrease/(increase) of time deposits and fixed deposits		**167,884**	(49,222)
Payment for purchase of trading securities		**–**	(45,985)
Net cash generated from/(used in) investing activities		**77,024**	(521,760)
Financing activities			
Payments for repurchase of own shares of the Company	27(c)(ii)	**(154,447)**	(44,563)
Capital element of lease rentals paid	20(c)	**(2,283)**	(2,188)
Interest element of lease rentals paid	20(c)	**(107)**	(202)
Proceeds from borrowings	20(c)	**1,476,124**	1,447,061
Repayments of borrowings	20(c)	**(1,169,432)**	(1,129,076)
Dividends paid to equity shareholders of the Company	27(a)	**(427,081)**	(534,126)
Dividends paid by subsidiaries to non-controlling interests		**(16,460)**	(32,326)
Net cash used in financing activities		**(293,686)**	(295,420)
Net increase/(decrease) in cash and cash equivalents		**418,373**	(326,149)
Cash and cash equivalents at 1 January		**1,257,702**	1,615,208
Effect of foreign exchange rate changes		**14,502**	(31,357)
Cash and cash equivalents at 31 December	20(a)	**1,690,577**	1,257,702

The notes on pages 100 to 179 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and sale of pharmaceutical products, which include finished medicines, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China (the "PRC"), and sells to customers mainly in the PRC.

The Company is an exempted company with limited liability established under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

– *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

(i) Consolidation *(Continued)*

– *Business combinations (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts represented by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

(i) ***Consolidation*** *(Continued)*

– *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

– *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) ***Company's statement of financial position***

Investments in subsidiaries are accounted for at cost less impairment (see note 2(k)). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required when there is any indication that the investment is impaired or upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's most senior executive management for the purpose of allocating resources and assessing performance of the operating segments.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(n)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and New Orient Investments Pharmaceutical Holding (Hong Kong) Limited is HK dollars ("HK$") and the functional currency of other Group's companies is Renminbi ("RMB"). The consolidated financial statements are presented in HK$.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'other income'.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(iii) Group companies

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

– assets and liabilities for each financial position presented are translated at the closing rate at the end of the reporting period;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

– all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Currency translation differences arising are recognised in other comprehensive income.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	10 – 50 years
– Plant, machinery and tools	5 – 10 years
– Furniture, fixtures, office equipment and others	3 – 10 years
– Vehicles	4 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2(k)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income', in the consolidated statement of profit or loss and other comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(l)(i), 2(bb) and 2(n)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the period of the lease.

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(ii) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks and patents acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks and patents have finite useful lives. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives, as follows:

– Trademarks	50 years
– Patents	6 – 10 years

(iii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date attributable to customer base or existing contractual bids with customers taken over in connection with business combinations. Customer relationships have finite useful lives. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives of 5 – 5.25 years.

(iv) Software

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(v) Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

– it is technically feasible to complete the intangible asset so that it will be available for use;

– management intends to complete the intangible asset and use it;

– there is an ability to use the intangible asset;

– it can be demonstrated how the intangible asset will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(v) Research and development costs *(Continued)*

– the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding ten years.

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– interest in an associate; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of non-financial assets *(Continued)*

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(bb)).

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(l) Other investments in debt and equity securities *(Continued)*

(i) Investments other than equity investments *(Continued)*

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(cc).

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets as defined in HKFRS 15 (see note 2(p)); and

– lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Measurement of ECLs *(Continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Significant increases in credit risk *(Continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(bb) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(aa).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(aa)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(n) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(q)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(aa)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(bb)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(p)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(n)).

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(n).

(s) Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(t) Trade and other payables (other than refund liabilities)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 2(aa).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Borrowings

Borrowings are measured initially at fair value less transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Borrowing costs

General and specific 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.

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.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

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

(ii) Deferred income tax

– *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

– *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Current and deferred income tax *(Continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

– *Defined contribution plan*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The Group has no further obligations for post-retirement benefit beyond the contributions.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(i) Pension obligations *(Continued)*

– *Defined contribution plan (Continued)*

As stipulated by the rules and regulations in the PRC, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to a cap), while the Group contributes approximately 16% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

– *Post-employment benefits*

Some group companies provide post-employment benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The liability recognised in the financial position in respect of post-employment benefits is the present value of these benefits obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. These obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss and other comprehensive income.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(i) Pension obligations *(Continued)*

– *Post-employment benefits (Continued)*

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

– *Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) Share-based compensation (Continued)

– *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iv) Bonus plan

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(y) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Provisions, contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(z) Government grants

Government grants in the form of subsidy or financial refund are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to assets are presented in the statement of financial position by setting up the grant as deferred revenue and recognised in profit or loss on a systematic basis over the useful life of the asset.

(aa) Revenue

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or the services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

2 **MATERIAL ACCOUNTING POLICIES** *(Continued)*

(aa) Revenue *(Continued)*

– Revenue from the sale of goods is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within one to three months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

– Rental income is recognised on a straight-line basis over the terms of the leases; and

– Services income is recognised over time in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(bb) Interest income

Interest income is recognised using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(n)).

(cc) Dividend income

Dividend income is recognised when the right to receive payment is established.

(dd) Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(ee) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(ee) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgments 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 Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or for its assets that were not yet available for use. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Impairment of property, plant and equipment and intangible assets *(Continued)*

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Impairment of trade and other receivables

The Group's management determines the provision for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates take into account the aging of the trade receivable balances and the repayment history of the Group's customers. The Group's management reassesses the provision at each reporting period end.

(c) Impairment of goodwill

The Group's management tests annually whether goodwill has suffered any impairment. In accordance with the accounting policy stated in note 2(k), the recoverable amount of CGUs has been determined based on the higher of value in use and fair value less costs of disposal.

The Group measured the value in use by discounting the future estimated cash flow deriving from the CGUs. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in industry environment and competitor actions. Management reassesses the estimates at each reporting period end.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives revenue principally from the sale of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection, bulk pharmaceutical products and medical materials.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2025	2024
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	**3,914,286**	5,548,885
– Sales of medical materials	**189,269**	185,013
– Services income	**14,481**	10,700
– Sales of raw materials and by-products	**47,425**	28,533
	4,165,461	5,773,131
Revenue from other source		
– Rental income	**4**	120
	4,165,465	5,773,251
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	**3,464,724**	5,048,646
– Other countries	**700,741**	724,605
	4,165,465	5,773,251

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

The directors have determined that no geographical segment information of specified non-current assets is presented as over 95% (2024: 95%) of the non-current assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

For the year ended 31 December 2025, no customer with whom transactions have exceeded 10% of the Group's revenue. Details of concentrations of credit risk arising from the Group's largest customers are set out in note 28(a).

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely intravenous infusion solution and others and medical materials. No operating segments have been aggregated to form the reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Unallocated assets mainly comprise corporate cash. Segment liabilities include operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

4 **REVENUE AND SEGMENT REPORTING** *(Continued)*

(b) Segment reporting *(Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	2025			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	3,966,553	195,178	–	4,161,731
Over time	3,730	4	–	3,734
Revenue from external customers	3,970,283	195,182	–	4,165,465
Inter-segment revenue	–	182,236	–	182,236
Reportable segment revenue	3,970,283	377,418	–	4,347,701
Operating profit or loss/ segment results	628,826	18,226	(18,140)	628,912
Finance income	15,781	341	1,315	17,437
Finance costs	(69,225)	–	(36,406)	(105,631)
Share of profit of an associate	22,978	–	–	22,978
Profit/(loss) before taxation	598,360	18,567	(53,231)	563,696
Income tax	(74,541)	(5,694)	–	(80,235)
Reportable segment profit/ (loss) for the year	523,819	12,873	(53,231)	483,461
Depreciation and amortisation for the year	432,016	19,198	2,281	453,495
(Reversal of)/provision for impairment of receivables	(5,177)	1,052	–	(4,125)
Impairment of internally generated capitalised development costs and patents	17,043	–	–	17,043
Impairment of property, plant and equipment	11,037	–	–	11,037
Total assets/reportable segment assets (including interests in an associate)	12,150,929	598,716	63,468	12,813,113
Additions to non-current assets	828,256	196	20	828,472
Total liabilities/reportable segment liabilities	3,919,370	59,471	1,213,609	5,192,450

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

	2024			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	5,584,717	188,037	–	5,772,754
Over time	377	120	–	497
Revenue from external customers	5,585,094	188,157	–	5,773,251
Inter-segment revenue	–	216,908	–	216,908
Reportable segment revenue	5,585,094	405,065	–	5,990,159
Operating profit or loss/ segment results	1,345,740	18,843	(21,083)	1,343,500
Finance income	37,607	542	342	38,491
Finance costs	(66,382)	–	(60,499)	(126,881)
Share of profit of an associate	26,493	–	–	26,493
Profit/(loss) before taxation	1,343,458	19,385	(81,240)	1,281,603
Income tax	(196,287)	(9,708)	–	(205,995)
Reportable segment profit/ (loss) for the year	1,147,171	9,677	(81,240)	1,075,608
Depreciation and amortisation for the year	433,583	19,783	2,285	455,651
Provision for/(reversal of) impairment of receivables	7,013	(521)	–	6,492
Impairment of internally generated capitalised development costs	16,304	–	–	16,304
Impairment of goodwill	10,609	–	–	10,609
Total assets/reportable segment assets (including interests in an associate)	11,979,257	546,603	77,820	12,603,680
Additions to non-current assets	1,413,854	50,097	102	1,464,053
Total liabilities/reportable segment liabilities	3,980,629	48,721	1,038,680	5,068,030

5 OTHER NET INCOME

	2025 HK$'000	2024 HK$'000
Government grants	**151,524**	126,258
Additional deduction of input value-added tax	**17,864**	34,990
Net gain on disposal of property, plant and equipment	**516**	1,124
Unrealised gain/(loss) on trading securities *(note 15)*	**10,345**	(10,479)
Gain on disposal of investment in an associate and trading securities	**23,585**	–
Others	**10,582**	9,050
	214,416	160,943

Government grants mainly represent subsidy income received from various government organisations to compensate the Group's research and development expenditures, and other incentives to support the operations of the Group.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Finance income and costs

	2025 HK$'000	2024 HK$'000
Finance income:		
– Interest income on bank deposits	**(21,124)**	(29,546)
– Net foreign exchange loss/(gain)	**3,687**	(8,945)
Finance income	**(17,437)**	(38,491)
Finance costs:		
– Interest expense of borrowings	**105,524**	126,679
– Interest on lease liabilities	**107**	202
Finance costs	**105,631**	126,881
Finance costs – net	**88,194**	88,390

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	2025	2024
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**64,228**	65,836
Salaries, wages and other benefits	**598,368**	708,999
	662,596	774,835

(c) Other items

	2025	2024
	HK$'000	*HK$'000*
Research and development costs	**423,668**	466,925
Less: Costs capitalised into intangible assets	**(179,640)**	(200,956)
	244,028	265,969
Amortisation#		
– intangible assets *(note 12)*	**80,908**	64,704
Less: Amount capitalised as development costs	**(83)**	(82)
	80,825	64,622
Depreciation charges#		
– owned property, plant and equipment	**388,256**	395,067
– right-of-use assets	**13,656**	11,672
Less: Amount capitalised as property, plant and equipment and development costs	**(29,242)**	(15,710)
	372,670	391,029
(Reversal of)/provision for impairment losses		
– trade receivables	**(4,271)**	6,181
– other receivables	**146**	311
Auditors' remuneration – audit services	**3,004**	3,297
Cost of inventories# *(note 16(b))*	**2,445,642**	2,860,353
Impairment of property, plant and equipment	**11,037**	–
Impairment of goodwill	**–**	10,609
Other expenses		
– transportation expenses	**270,525**	309,435
– utility expenses	**187,029**	344,285
– advertising expenses	**95,851**	172,777
– marketing and promotion service expenses	**208,501**	477,407
– travelling, meeting and entertainment expenses	**60,400**	77,569
– surcharges and other tax expenses	**54,254**	66,017

Cost of inventories includes HK$631,728,000 (2024: HK$710,687,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2025 *HK$'000*	2024 *HK$'000*
Current tax – the PRC Corporate Income Tax ("CIT")	**96,651**	222,463
Deferred tax – origination and reversal of temporary differences	**(16,416)**	(16,468)
	80,235	205,995

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2025 and 2024 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang") and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises ("HNTE") in 2024, 2023, 2023 and 2023, respectively. According to the tax incentives rules of the CIT Law of the PRC (the "CIT Law") for HNTE, these entities are subject to a reduced corporate income tax rate of 15% for three years. According to the PRC income tax law and its relevant regulations, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

All other subsidiaries of the Company established and operated in the PRC are subject to the PRC CIT at an applicable rate of 25%.

The CIT Law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

7 INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025	2024
	HK$'000	*HK$'000*
Profit before taxation	**563,696**	1,281,603
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**148,884**	325,994
Effect of the PRC preferential tax rates	**(67,603)**	(133,614)
Effect of non-deductible expenses	**9,615**	21,658
Additional deduction of research and development expenditures	**(42,483)**	(37,116)
Withholding tax on profit distributions	**26,687**	34,088
Others	**5,135**	(5,015)
Actual tax expense	**80,235**	205,995

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025					
Name	Directors' fees *HK$'000*	Salaries *HK$'000*	Discretionary bonuses *HK$'000*	Estimated money value of other benefits (a) *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors						
Mr. Qu Jiguang	–	6,690	–	–	–	6,690
Mr. Su Xuejun	–	1,570	227	24	60	1,881
Mr. Meng Guo	–	1,191	122	24	60	1,397
Mr. Chow Hing Yeung	–	1,382	–	–	18	1,400
Ms. Qu Wanrong	–	372	–	–	18	390
Independent non-executive directors						
Mr. Wang Yibing	228	–	–	–	–	228
Mr. Chow Kwok Wai	228	–	–	–	–	228
Mr. Jiang Guangce	228	–	–	–	–	228
Non-executive director						
Mr. Liu Wenjun	228	–	–	–	–	228
	912	11,205	349	48	156	12,670

8 DIRECTORS' EMOLUMENTS *(Continued)*

Name	Directors' fees	Salaries	Discretionary bonuses	Estimated money value of other benefits (a)	Retirement scheme contributions	Total
	2024					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Qu Jiguang	–	6,690	9,000	–	–	15,690
Mr. Su Xuejun	–	1,457	263	45	59	1,824
Mr. Meng Guo	–	1,075	137	45	59	1,316
Mr. Chow Hing Yeung	–	1,197	–	–	18	1,215
Ms. Qu Wanrong (Appointed on 28 August 2024)	–	372	–	–	18	390
Independent non-executive directors						
Mr. Wang Yibing	228	–	–	–	–	228
Mr. Chow Kwok Wai	228	–	–	–	–	228
Mr. Jiang Guangce	228	–	–	–	–	228
Non-executive director						
Mr. Liu Wenjun (Appointed on 19 January 2024)	217	–	–	–	–	217
	901	10,791	9,400	90	154	21,336

(a) Other benefits include leave pay and medical insurance, etc.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2024: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2024: one) individual are as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Salaries and other benefits	**1,002**	1,007
Discretionary bonuses	**218**	230
Retirement scheme contributions	**42**	41
	1,262	1,278

The emoluments of the one (2024: one) individual with the highest emoluments are within the following bands:

	2025 ***Number of individuals***	2024 *Number of individuals*
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**1**	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$470,637,000 (2024: HK$1,061,150,000) and the weighted average of 2,932,944,000 ordinary shares (2024: 2,962,512,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2025 **'000**	2024 '000
Issued ordinary shares at 1 January	**2,954,659**	2,965,743
Effect of purchase and cancellation of own shares *(note 27(c)(ii))*	**(21,715)**	(3,231)
Weighted average number of ordinary shares at 31 December	**2,932,944**	2,962,512

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$470,637,000 (2024: HK$1,061,150,000) and the weighted average of 2,932,944,000 ordinary shares (2024: 2,963,122,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2025 **'000**	2024 '000
Weighted average number of ordinary shares at 31 December (basic)	**2,932,944**	2,962,512
Effect of deemed issue of shares under the Company's share option scheme	**–**	610
Weighted average number of ordinary shares at 31 December (diluted)	**2,932,944**	2,963,122

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS

(a) Reconciliation of carrying amount

	Buildings HK$'000	Plant, machinery and tools HK$'000	Furniture, fixtures, office equipment and others HK$'000	Vehicles HK$'000	Construction-in-progress HK$'000	Sub-total HK$'000	Right-of-use assets HK$'000	Total HK$'000
Cost:								
1 January 2024	3,231,094	2,980,885	442,546	62,393	552,529	7,269,447	463,235	7,732,682
Transfers	185,889	214,512	5,229	–	(405,630)	–	–	–
Additions	12,877	261,045	16,841	9,485	902,283	1,202,531	27,278	1,229,809
Disposals	–	(46,471)	(9,035)	(1,451)	(12)	(56,969)	–	(56,969)
Exchange adjustments	(73,717)	(69,629)	(8,580)	(1,394)	(19,242)	(172,562)	(9,987)	(182,549)
31 December 2024 and 1 January 2025	**3,356,143**	**3,340,342**	**447,001**	**69,033**	**1,029,928**	**8,242,447**	**480,526**	**8,722,973**
Transfers	**65,991**	**119,338**	**18,466**	**–**	**(203,795)**	**–**	**–**	**–**
Additions	**26,377**	**185,615**	**7,751**	**1,185**	**364,868**	**585,796**	**32,906**	**618,702**
Disposals	**(508)**	**(111,071)**	**(20,313)**	**(4,014)**	**–**	**(135,906)**	**(19,317)**	**(155,223)**
Exchange adjustments	**72,263**	**46,683**	**(9,345)**	**1,654**	**28,169**	**139,424**	**11,894**	**151,318**
At 31 December 2025	**3,520,266**	**3,580,907**	**443,560**	**67,858**	**1,219,170**	**8,831,761**	**506,009**	**9,337,770**

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(a) Reconciliation of carrying amount *(Continued)*

	Buildings	Plant, machinery and tools	Furniture, fixtures, office equipment and others	Vehicles	Construction-in-progress	Sub-total	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated amortisation and depreciation:								
1 January 2024	(827,709)	(1,453,338)	(282,506)	(38,144)	–	(2,601,697)	(77,873)	(2,679,570)
Charge for the year	(136,390)	(216,511)	(36,578)	(5,588)	–	(395,067)	(11,672)	(406,739)
Written back on disposals	–	34,084	7,992	955	–	43,031	–	43,031
Exchange adjustments	17,853	34,145	7,212	840	–	60,050	1,599	61,649
31 December 2024 and 1 January 2025	**(946,246)**	**(1,601,620)**	**(303,880)**	**(41,937)**	**–**	**(2,893,683)**	**(87,946)**	**(2,981,629)**
Charge for the year	**(120,831)**	**(228,188)**	**(33,234)**	**(6,003)**	**–**	**(388,256)**	**(13,656)**	**(401,912)**
Written back on disposals	**15,457**	**140,426**	**29,989**	**3,330**	**–**	**189,202**	**–**	**189,202**
Exchange adjustments	**(27,952)**	**(40,567)**	**(6,121)**	**(1,043)**	**–**	**(75,683)**	**(1,029)**	**(76,712)**
At 31 December 2025	**(1,079,572)**	**(1,729,949)**	**(313,246)**	**(45,653)**	**–**	**(3,168,420)**	**(102,631)**	**(3,271,051)**

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(a) Reconciliation of carrying amount *(Continued)*

	Buildings	Plant, machinery and tools	Furniture, fixtures, office equipment and others	Vehicles	Construction-in-progress	Sub-total	Right-of-use assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Provision for impairment:								
1 January 2024, 31 December 2024 and 1 January 2025	–	–	–	–	–	–	–	–
Charge for the year	(7,148)	(3,744)	–	–	–	(10,892)	–	(10,892)
Exchange adjustments	(95)	(50)	–	–	–	(145)	–	(145)
At 31 December 2025	**(7,243)**	**(3,794)**	**–**	**–**	**–**	**(11,037)**	**–**	**(11,037)**
Net book value:								
At 31 December 2025	**2,433,451**	**1,847,164**	**130,314**	**22,205**	**1,219,170**	**5,652,304**	**403,378**	**6,055,682**
At 31 December 2024	2,409,897	1,738,722	143,121	27,096	1,029,928	5,348,764	392,580	5,741,344

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2025** ***HK$'000***	2024 *HK$'000*
Properties leased for own use, carried at depreciated cost	*(i)*	**3,883**	3,734
Land use rights, carried at depreciated cost	*(ii)*	**399,495**	388,846
		403,378	392,580

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	**3,270**	2,240
Land use rights, carried at depreciated cost	**10,386**	9,432
	13,656	11,672
Interest on lease liabilities *(note 6(a))*	**107**	202
Expense relating to short-term leases	**3,382**	3,226

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 24, respectively.

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS *(Continued)*

(b) Right-of-use assets *(Continued)*

(i) Properties leased for own use, carried at depreciated cost

The Group leases office premises under leases expiring from 1 to 3 years. None of the leases include an option to renew the lease when all terms are renegotiated or variable lease payments.

(ii) Land use rights

Land use rights are located in Hebei Province and Jiangsu Province, the PRC, and are held on medium-term leases of 35 to 50 years from the dates of acquisition.

(c) Assets leased out under operating leases

The Group leases out certain office premise in the PRC under operating leases. The lease typically run for an initial period of one year with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. In 2025, the rental income is insignificant (see note 4(a)).

12 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademark and patents HK$'000	Software HK$'000	Customer relationships HK$'000	Internally generated capitalised development costs HK$'000	Total HK$'000
Cost:						
At 1 January 2024	480,472	624,885	30,666	76,753	429,773	1,642,549
Additions	–	–	6,793	–	200,956	207,749
Transfers	–	221,664	–	–	(221,664)	–
Exchange adjustments	(10,284)	(13,200)	(757)	(1,643)	(12,131)	(38,015)
At 31 December 2024 and 1 January 2025	**470,188**	**833,349**	**36,702**	**75,110**	**396,934**	**1,812,283**
Additions	**–**	**3,270**	**7,045**	**–**	**179,640**	**189,955**
Transfers	**–**	**178,977**	**–**	**–**	**(178,977)**	**–**
Disposal	**–**	**(15,057)**	**(24,937)**	**–**	**–**	**(39,994)**
Exchange adjustments	**11,615**	**21,052**	**1,022**	**1,898**	**12,424**	**48,011**
At 31 December 2025	**481,803**	**1,021,591**	**19,832**	**77,008**	**410,021**	**2,010,255**
Accumulated amortisation and impairment losses:						
At 1 January 2024	(226,746)	(155,761)	(25,864)	(76,753)	–	(485,124)
Amortisation charge for the year	–	(62,740)	(1,964)	–	–	(64,704)
Impairment loss	(10,609)	(11,705)	–	–	(4,599)	(26,913)
Exchange adjustments	5,051	4,270	583	1,643	–	11,547
At 31 December 2024 and 1 January 2025	**(232,304)**	**(225,936)**	**(27,245)**	**(75,110)**	**(4,599)**	**(565,194)**
Amortisation charge for the year	**–**	**(77,727)**	**(3,181)**	**–**	**–**	**(80,908)**
Impairment loss	**–**	**(2,160)**	**–**	**–**	**(14,883)**	**(17,043)**
Impairment transfers	**–**	**(3,890)**	**–**	**–**	**3,890**	**–**
Written back on disposals	**–**	**15,057**	**24,937**	**–**	**–**	**39,994**
Exchange adjustments	**(5,605)**	**(6,770)**	**(736)**	**(1,898)**	**(314)**	**(15,323)**
At 31 December 2025	**(237,909)**	**(301,426)**	**(6,225)**	**(77,008)**	**(15,906)**	**(638,474)**
Net book value:						
At 31 December 2025	**243,894**	**720,165**	**13,607**	**–**	**394,115**	**1,371,781**
At 31 December 2024	237,884	607,413	9,457	–	392,335	1,247,089

12 INTANGIBLE ASSETS *(Continued)*

Majority of amortisation of intangible assets is recognised in cost of sales, general and administrative expenses and research and development costs.

As at 31 December 2025, the carrying amount of trademark and patents include internally generated capitalised development costs of HK$626,772,000 (31 December 2024: HK$510,678,000).

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and operating segment as follows:

	2025	2024
	HK$'000	*HK$'000*
Intravenous infusion solution and others	**223,144**	217,646
Medical materials	**20,750**	20,238
Bulk pharmaceuticals	**–**	–
	243,894	237,884

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the final year representing a steady state in the development of the business. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The key assumptions for the value-in-use calculations are as follows, which are based on either the past experience or external sources of information:

	Intravenous infusion solution and others		**Medical materials**	
	2025	2024	**2025**	2024
Gross profit margin in the next five years	**41.48% – 45.41%**	45.66% – 50.22%	**26.1%**	26.1%
Growth rate in the next five years	**20.03% – 37.86%**	9% – 31%	**3% – 18.28%**	3% – 14.19%
Other operating cost (as of revenue)	**25%**	25%	**8%**	9%
Perpetual growth rate	**2%**	3%	**3%**	3%
Pre-tax discount rate	**13%**	14%	**14%**	14%

Management determined the budgeted growth rate and gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

The recoverable amount of the CGU of Intravenous infusion solution and others and Medical materials is estimated to exceed the carrying amount of the CGU at 31 December 2025 and 2024. Management has not identified that a reasonably possible change in key assumptions could cause the carrying amount to exceed the recoverable amount for CGUs with significant goodwill.

The impairment loss of HK$10,609,000 recognised in "Other operating expenses" during 2024 relates to the Group's bulk pharmaceuticals activities. As the carrying amount of the has been reduced to zero, any adverse change in the assumptions used in the calculation of recoverable amount would not result in further impairment losses.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains all subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Issued/registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities	Type of legal entity
New Orient Investments Pharmaceutical Holding (Hong Kong) Limited	Samoa/ Hong Kong	United States Dollar ("USD") [1]	100%	100%	–	Investment holding	Limited liability company
Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4")	The PRC	RMB1,170,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company
Hebei Guolong Pharmaceutical Co., Ltd.	The PRC	RMB450,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company
Hebei Jinmen Pharmaceutical Import and Export Co., Ltd.	The PRC	RMB5,000,000	100%	–	100%	Trading of pharmaceutical products	Limited liability company
Hebei Guangxiang Pharmaceutical Technology Co., Ltd.	The PRC	RMB46,000,000	100%	–	100%	Pharmaceutical technology research and development and consulting	Limited liability company
Hebei Guangxiang Logistics Co., Ltd.	The PRC	RMB3,000,000	86%	–	86%	Logistics of pharmaceutical products	Limited liability company
Shijiazhuang Guangxiang Catering Co., Ltd.	The PRC	RMB500,000	100%	–	100%	Provision of food, beverages and catering	Limited liability company
Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best")	The PRC	RMB270,077,500	94%	39%	55%	Manufacturing and sale of pharmaceutical products	Limited liability company

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and business	Issued/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Type of legal entity
Hebei Hanlin Biotechnology Co., Ltd. ("Hebei Hanlin")	The PRC	RMB25,000,000	88%	–	88%	Research and development of biotechnology and related products	Limited liability company
Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang")	The PRC	RMB930,000,000	78%	–	78%	Manufacturing and sale of pharmaceutical products	Limited liability company
Anhui Guangxiang Pharmaceutical Co., Ltd. ("Anhui Guangxiang")	The PRC	RMB10,000,000	96%	–	96%	Trading of pharmaceutical products	Limited liability company
Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical")	The PRC	RMB70,000,000	100%	–	100%	Production and sales of methylamine	Limited liability company
Shandong Guangxiang Pharmaceutical Co., Ltd. ("Shandong Guangxiang")	The PRC	RMB100,000,000	100%	–	100%	Manufacturing and sale of pharmaceutical products	Limited liability company

The directors are of the view that the Group has no individually material non-controlling interests for the years ended 31 December 2025 and 2024.

14 INTEREST IN AN ASSOCIATE

As at 31 December 2025, the following list contains the particulars of the associate, which is a listed corporate entity whose quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Cisen Pharmaceutical Co., Ltd.* ("Cisen") *(Note)* 辰欣藥業股份有限公司	Incorporated	The PRC	452,754,129 ordinary shares	5.11%	–	5.11%	Production, sales and research and development of pharmaceuticals

* The English translation of the entity is for reference only. The official names of the entity established in the PRC are in Chinese.

Note: Cisen is listed on the Main Board of the Shanghai Stock Exchange. The Group has significant influence over Cisen as the Group appointed one director into the Board of Directors of Cisen. As at 31 December 2025, the quoted market price of Cisen was RMB17.32 (31 December 2024: RMB13.74) per share and the market value of the investment in Cisen was RMB401 million (equivalent to HK$444 million) (2024: RMB380 million (equivalent to HK$410 million)). The Group disposed of 1,000,000 shares and 3,520,000 shares of Cisen on 22 September 2025 and 23 September 2025 respectively, generating a gain on disposal of approximately HK$23.24 million. After reducing its holdings in Cisen shares during the year, the Group held 23,141,000 shares (31 December 2024: 27,661,000 shares), represents an equity interest of 5.11% in Cisen as at 31 December 2025 (31 December 2024:6.11%).

14 INTEREST IN AN ASSOCIATE *(Continued)*

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statement, are disclosed below:

	Cisen Pharmaceutical Co., Ltd.	
	2025	2024
	HK$'000	*HK$'000*
Gross amounts of the associate		
Current assets	**5,768,450**	5,352,468
Non-current assets	**2,929,040**	3,203,377
Current liabilities	**1,354,907**	1,594,678
Non-current liabilities	**158,305**	84,491
Equity	**7,184,278**	6,876,676
Revenue	**3,763,607**	4,365,358
Profit from operations	**465,020**	559,009
Other comprehensive income	**64**	(23)
Total comprehensive income	**465,084**	558,986
Dividend received from the associate	**11,399**	19,750
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**7,184,278**	6,876,676
Group's effective interest	**5.1113%**	6.1096%
Group's share of net assets of the associate	**367,210**	420,137
Carrying amount in the consolidated financial statements	**367,210**	420,137

15 TRADING SECURITIES

	2025	2024
	HK$'000	*HK$'000*
Trading securities		
– Equity securities listed in PRC, at fair value	**46,366**	34,999

In March 2025, the investee announced that based on the company's total issued shares, 0.48 shares would be converted from the capital reserve to all shareholders per share, leading to an increase of the Group's number of shares held from 1,570,000 to 2,323,000. As at 31 December 2025, financial assets classified as FVPL represent trading securities of HK$46,366,000 (31 December 2024: HK$34,999,000). During the year, the unrealised gain of trading securities held by the Group of HK$10,345,000 was recognised in other net income (2024 unrealised loss: HK$10,479,000).

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2025	2024
	HK$'000	*HK$'000*
Raw materials	**469,674**	506,042
Work in progress	**26,716**	38,724
Finished goods	**705,174**	564,696
	1,201,564	1,109,462

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025	2024
	HK$'000	*HK$'000*
Cost of inventories sold	**2,336,311**	2,764,504
Cost of inventories directly recognised as research and development costs and selling and distribution costs	**107,479**	94,570
Write-down of inventories	**1,852**	1,279
	2,445,642	2,860,353

17 TRADE AND BILLS RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables	**1,655,386**	2,109,727
Bills receivable	**60,071**	135,461
	1,715,457	2,245,188
Less: Loss allowance	**(15,238)**	(18,833)
	1,700,219	2,226,355

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle payables.

As at 31 December 2025, the Group endorsed certain bank acceptance bills to suppliers for settling payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Bills receivable were therefore derecognised.

As at 31 December 2025, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to HK$576 million (31 December 2024: HK$730 million).

17 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date is as follows:

	2025	2024
	HK$'000	*HK$'000*
Within 1 year	**1,701,720**	2,227,244
After 1 but within 2 years	**13,391**	17,607
More than 2 years	**346**	337
	1,715,457	2,245,188

Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in note 28(a).

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Withholding individual income tax recoverable	**90,610**	90,610
Prepayments for purchases of inventories	**26,716**	25,285
Other deposits	**13,418**	13,548
Value-added tax recoverable	**34,426**	40,333
Staff advances	**5,741**	1,760
Prepaid professional service fees	**7,357**	4,754
Others	**58,949**	44,529
	237,217	220,819
Less: Loss allowance	**(126)**	(229)
	237,091	220,590

19 PLEDGED BANK DEPOSITS, TIME DEPOSITS AND FIXED DEPOSITS

	2025	2024
	HK$'000	*HK$'000*
Current		
Time deposits with original maturities over three months	**58,393**	114,525
Pledged and restricted bank deposits	**21,279**	97,288
	79,672	211,813
Non-current		
Pledged and restricted bank deposits	**415**	5,883
Fixed deposits with original maturities over one year	**–**	78,127
	415	84,010

Pledged bank deposits as at 31 December 2025 were pledged for letters of credit facilities, bank acceptance notes issued by the Group, and the restricted bank deposits of HK$14,016,000 are the restricted cash that have been frozen in the PRC in relation to legal proceedings commenced by one customer of the Group.

As at 31 December 2025, fixed deposits with original maturities over one year have guaranteed repayment of principal, fixed returns and maturity periods of three years from the date of issue.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2025	2024
	HK$'000	*HK$'000*
Cash on hand	**22**	20
Cash at bank	**1,690,555**	1,257,682
Cash and cash equivalents in the consolidated cash flow statement	**1,690,577**	1,257,702

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2025** **HK$'000**	2024 HK$'000
Profit before taxation		**563,696**	1,281,603
Adjustments for:			
(Reversal of)/provision for impairment of trade receivables	*6(c)*	**(4,271)**	6,181
Provision for impairment of other receivables	*6(c)*	**146**	311
Write down of inventories	*16(b)*	**1,852**	1,279
Impairment of intangible assets	*12*	**17,043**	26,913
Amortisation of intangible assets	*6(c)*	**80,825**	64,622
Amortisation of deferred revenue	*26*	**(32,383)**	(22,482)
Depreciation	*6(c)*	**372,670**	391,029
Finance costs	*6(a)*	**105,631**	126,881
Interest income	*6(a)*	**(21,124)**	(29,546)
Share of profit of an associate		**(22,978)**	(26,493)
Net loss on disposal of land use rights		**18,530**	–
Net gain on disposal of property, plant and equipment	*5*	**(516)**	(1,124)
Unrealised (gain)/loss on trading securities	*5*	**(10,345)**	10,479
Gain on disposal of investment in an associate and trading securities	*5*	**(23,585)**	–
Impairment of property, plant and equipment	*11(a)*	**11,037**	–
Changes in working capital:			
Increase in inventories		**(64,392)**	(44,063)
Decrease/(increase) in trade and bills receivables		**27,901**	(964,953)
Increase in prepayments, deposits and other receivables		**(27,757)**	(25,350)
(Decrease)/increase in trade and bills payables		**(240,319)**	144,305
Increase/(decrease) in contract liabilities		**29,064**	(18,726)
Increase in accruals and other payables		**25,350**	16,717
Decrease/(increase) in pledged bank deposits		**46,201**	(34,934)
Cash generated from operations		**852,276**	902,649

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities *(note 24)* *HK$'000*	Borrowings *(note 21)* *HK$'000*
At 1 January 2025	**3,759**	**3,635,931**
Changes from financing cash flows:		
Proceeds from new bank loans	**–**	**1,476,124**
Repayment of bank loans	**–**	**(1,169,432)**
Capital element of lease rentals paid	**(2,283)**	**–**
Interest element of lease rentals paid	**(107)**	**–**
Total changes from financing cash flows	**(2,390)**	**306,692**
Exchange adjustments	**–**	**64,795**
Other changes:		
Increase in lease liabilities from entering into new leases during the year	**2,390**	**–**
Interest expense	**107**	**3,382**
Total other changes	**2,497**	**3,382**
At 31 December 2025	**3,866**	**4,010,800**

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Lease liabilities *(note 24)* *HK$'000*	Borrowings *(note 21)* *HK$'000*
At 1 January 2024	5,947	3,368,141
Changes from financing cash flows:		
Proceeds from new bank loans	–	1,447,061
Repayment of bank loans	–	(1,129,076)
Capital element of lease rentals paid	(2,188)	–
Interest element of lease rentals paid	(202)	–
Total changes from financing cash flows	(2,390)	317,985
Exchange adjustments	–	(51,275)
Other change:		
Interest expense	202	1,080
Total other change	202	1,080
At 31 December 2024	3,759	3,635,931

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 ***HK$'000***	2024 *HK$'000*
Within operating cash flows	**3,382**	3,226
Within financing cash flows	**2,390**	2,390
	5,772	5,616

21 BORROWINGS

(a) The analysis of the repayment schedule of bank borrowings is as follows:

	2025	2024
	HK$'000	*HK$'000*
Within 1 year or on demand	**1,767,080**	654,927
After 1 year but within 2 years	**1,693,438**	1,379,828
After 2 years but within 5 years	**550,282**	1,601,176
	2,243,720	2,981,004
	4,010,800	3,635,931

(b) Assets pledged as security and covenants for bank borrowings

At 31 December 2025 and 2024, the Group's bank borrowings were secured as follows:

	2025	2024
	HK$'000	*HK$'000*
Bank borrowings		
– unsecured	**4,010,800**	3,635,931
	4,010,800	3,635,931

The Group's bank facilities of HK$2,275,420,000 (2024: HK$2,594,501,000) are subject to the fulfilment of covenants relating to certain specific performance requirements on the Group. If the Group were to breach the covenants, these drawn down bank facilities would become payable on demand. The Group regularly monitors its compliance with covenants. The Group did not identify any difficulties complying with the covenants. Further details of the covenants and the Group's management of liquidity risk are set out in note 28(b).

As at 31 December 2025, the Group did not breach any covenants relating to these drawn down bank facilities.

22 TRADE AND BILLS PAYABLES

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date is as follows:

	2025	2024
	HK$'000	*HK$'000*
Within 3 months	**220,930**	284,273
4 to 6 months	**38,809**	244,241
7 to 12 months	**18,621**	11,328
More than 1 year	**3,388**	7,776
	281,748	547,618

23 ACCRUALS AND OTHER PAYABLES

	2025	2024
	HK$'000	*HK$'000*
Payables for purchase of property, plant and equipment	203,363	269,423
Deposits from constructors	114,963	84,431
Withholding individual income tax payables	90,610	90,418
Accrued salaries and wages	35,383	38,810
Professional fee payables	7,829	12,534
Travelling, meeting and entertainment expenses	4,611	10,440
Value-added tax payable	4,578	1,174
Welfare payables	4,107	6,044
Others	17,743	39,075
	483,187	552,349

24 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	2025	2024
	HK$'000	*HK$'000*
Within 1 year	2,390	2,283
After 1 but within 2 years	1,476	1,476
	3,866	3,759

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025	2024
	HK$'000	*HK$'000*
At beginning of the year	13,347	77,161
Provision for the year *(note 7(a))*	96,651	222,463
Tax paid	(108,228)	(286,019)
Exchange adjustments	1,236	(258)
At end of the year	3,006	13,347

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deferred revenue	Provision for asset impairment	Amortisation and depreciation of assets	Accrued expenses and others	Lease liabilities	Revaluation of assets on acquisition	Right-of-use assets	Withholding tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2024	(26,549)	(3,323)	8,359	(16,367)	(981)	11,790	986	9,368	(16,717)
(Credited)/charged to profit or loss	(7,572)	(3,197)	(492)	(2,020)	361	(417)	(370)	(2,761)	(16,468)
Exchange adjustments	681	118	(171)	354	–	(246)	–	(159)	577
At 31 December 2024 and 1 January 2025	**(33,440)**	**(6,402)**	**7,696**	**(18,033)**	**(620)**	**11,127**	**616**	**6,448**	**(32,608)**
(Credited)/charged to profit or loss	**(9,625)**	**(2,367)**	**(472)**	**1,489**	**386**	**(122)**	**(380)**	**(5,325)**	**(16,416)**
Exchange adjustments	**(973)**	**(193)**	**189**	**(405)**	**(9)**	**275**	**10**	**92**	**(1,014)**
At 31 December 2025	**(44,038)**	**(8,962)**	**7,413**	**(16,949)**	**(243)**	**11,280**	**246**	**1,215**	**(50,038)**

Reconciliation to the consolidated statement of financial position:

	2025	2024
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(62,536)**	(50,179)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**12,498**	17,571
	(50,038)	(32,608)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$184,502,000 (2024: HK$101,904,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by the Group's subsidiaries in the PRC will expire in 5 years from the respective balance sheet date and the tax losses incurred in other tax jurisdiction do not expire.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(d) Deferred tax liabilities not recognised

At 31 December 2025, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to HK$7,061,042,000 (2024: HK$7,403,032,000). Deferred tax liabilities of HK$352,052,000 (2024: HK$370,152,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 DEFERRED REVENUE

Deferred revenue represented subsidies received from municipal governments for the construction of laboratories and plants of the Group, and are recognised in profit or loss when the depreciation expense of the laboratories and plants are recognised in profit or loss.

The movements of deferred revenue are as follows:

	2025	2024
	HK$'000	*HK$'000*
At 1 January	**247,029**	203,714
Additions	**94,477**	70,879
Recognised as other net income	**(32,383)**	(22,482)
Exchange adjustments	**7,070**	(5,082)
At 31 December	**316,193**	247,029

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2024		66,188	9,462	158,770	67,050	310,785	612,255
Changes in equity for 2024:							
Dividends paid to equity shareholders of the Company	*27(b)*	–	–	–	–	(534,126)	(534,126)
Purchase and cancellation of own shares	*27(c)(ii)*	(222)	(9,462)	(2,494)	–	(32,385)	(44,563)
Total comprehensive income for the year		–	–	–	–	689,044	689,044
Balance at 31 December 2024 and 1 January 2025		**65,966**	**–**	**156,276**	**67,050**	**433,318**	**722,610**
Changes in equity for 2025:							
Dividends paid to equity shareholders of the Company	*27(b)*	**–**	**–**	**–**	**–**	**(427,081)**	**(427,081)**
Purchase and cancellation of own shares	*27(c)(ii)*	**(137)**	**–**	**(131,614)**	**–**	**(22,696)**	**(154,447)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**554,582**	**554,582**
Balance at 31 December 2025		**65,829**	**–**	**24,662**	**67,050**	**538,123**	**695,664**

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2025	2024
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK5.0 cents per ordinary share (2024: HK8.0 cents per ordinary share)	**146,726**	237,222
Final dividend proposed after the end of the reporting period of HK3.0 cents per ordinary share (2024: HK9.5 cents per ordinary share)	**86,977**	280,622
	233,703	517,844

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2025	2024
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK9.5 cents per share (2024: HK10.0 cents per share)	**280,355**	296,904

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

(i) Issued share capital

	2025		2024	
	No. of shares *('000)*	***HK$'000***	No. of shares *('000)*	*HK$'000*
Ordinary shares of HK$0.02 each, issued and fully paid:				
At 1 January	**2,957,959**	**65,966**	2,969,043	66,188
Repurchase and cancellation of own shares *(note 27(c)(ii))*	**(6,846)**	**(137)**	(11,084)	(222)
	2,951,113	**65,829**	2,957,959	65,966

Except for the treasury shares held by the Company, the holders of ordinary shares are entitled to receive dividends as declared from time to time. Except for the treasury shares held by the Company and the restricted shares held by the Trustee of the Restricted Share Award Scheme, the holders of ordinary shares are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase and cancellation of own shares

In 2025, the Company repurchased a total of 52,300,000 (2024: 11,830,000) ordinary shares of the Company through the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$154,447,000 (2024: HK$44,563,000), and cancelled 6,846,000 (2024: 11,084,000) ordinary shares in accordance with the Companies Law of the Cayman Islands. As at 31 December 2025, the Company held 46,200,000 shares as treasury shares.

On 27 December 2018, the board meeting approved the Company to adopt the restricted share award scheme ("Restricted Share Award Scheme") to eligible employees. A trust deed has been entered into between the Company and BOCI-Prudential Trustee Limited ("the Trustee"). Pursuant to the trust deed, the trust will be constituted to service the Restricted Share Award Scheme whereby the Trustee shall assist with the administration of the Restricted Share Award Scheme and shall, subject to the relevant provisions of the trust deed and upon the instruction of the Company, acquire such underlying shares of the Restricted Share Award Scheme through on-market transactions with funds to be transferred by the Group to the Trust. Such underlying shares of the Restricted Share Award Scheme shall not exceed 2% of the ordinary issued share capital as at the adoption date.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(ii) ***Purchase and cancellation of own shares*** *(Continued)*

In 2023, the Trust acquired 3,300,000 shares from the market at an average prevailing market price of approximately HK$4.525 per share at an aggregate consideration of approximately HK$14,933,000. The restricted shares held at the end of reporting period were classified as treasury shares and presented as a deduction in equity. No restricted shares were granted, vested, cancelled or lapsed under the Restricted Share Award Scheme during the years ended 31 December 2025 and 2024.

(iii) ***Shares issued under share option scheme***

No share options were exercised during 2025 and 2024.

(d) Nature and purpose of reserves

(i) ***Share premium***

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium account may be applied by the Company to pay distributions or dividends to the equity shareholders of the Company.

(ii) ***Statutory reserve***

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained earnings to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid up capital. The transfer to this reserve must be made before distribution of dividend to equity owners. The statutory reserve fund can be utilised to offset prior year's losses or converted into paid up capital.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Share-based payment reserve

In 2021, 100,000,000 share options were granted to seven employees of the Group, at a consideration of HK$1.00 in sum for each employee with a total fair value of HK$67,050,000 recorded in share-based payment reserve. The number and weighted average exercise prices of share options are as follows:

	2025		2024	
	Average exercise price *(HK$ per share)*	**Number of options *('000)***	Average exercise price *(HK$ per share)*	Number of options *('000)*
Outstanding at 1 January and at 31 December	**4.218**	**100,000**	4.218	100,000

No share options were exercised during 2025 and 2024.

As at 31 December 2025, the total number of share options outstanding and exercisable was 100,000,000 (31 December 2024: 100,000,000).

The options outstanding at 31 December 2025 had an exercise price of HK$4.218 (2024: HK$4.218) and a weighted average remaining contractual life of 0.03 years (2024: 1.03 years). The options were not exercised and lapsed therefore by end of the expiration date which was January 2026.

(iv) Currency translation differences

The currency translation differences comprise all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(g).

(e) Distributability of reserves

At 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$538,123,000 (2024: HK$433,318,000).

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital less non-controlling interests. Net debt is calculated as total borrowings (including current and non-current borrowings) and lease liabilities less cash and cash equivalents. Total capital less non-controlling interests is calculated as total equity less non-controlling interests plus net debt.

The gearing ratios at 31 December 2025 and 2024 were as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Borrowings *(note 21)*	**4,010,800**	3,635,931
Lease liabilities *(note 24)*	**3,866**	3,759
Less: Cash and cash equivalents *(note 20)*	**(1,690,577)**	(1,257,702)
Net debt	**2,324,089**	2,381,988
Total equity less non-controlling interests	**7,300,928**	7,220,240
Total capital less non-controlling interests	**9,625,017**	9,602,228
Gearing ratio	**24.1%**	24.8%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits, time deposits, fixed deposits and bills receivable is limited. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

As at 31 December 2025, 89% (2024: 96%) of the Group's bank deposits are placed in major financial institutions located in the Mainland China and Hong Kong, which management believes are of high credit quality without significant credit risk. The Group also has policies that limit the amount of credit exposure to any financial institution, subject to periodic review.

	2025 ***HK$'000***	2024 *HK$'000*
State-owned and listed banks	**1,573,794**	1,489,761
Other financial institutions	**196,844**	63,743
Total	**1,770,638**	1,553,504

As at 31 December 2025, all of the Group's bills receivables are bank acceptance notes, the credit risks of which rest with the issuing banks. The directors of the Company are satisfied that the risks arising from those notes are minimal considering the credit quality of the issuing banks. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.81% (2024: 0.00%), 4.22% (2024: 3.50%) and 7.43% (2024: 5.71%) of the total trade receivables was due from the Group's largest customer, the second largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A regular review is carried out and follow up actions are taken on long ageing amounts to minimise the Group's exposure to credit risk. Normally, the Group does not obtain collateral from customers.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

		2025	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***HK$'000***	***HK$'000***
Within 3 months	**0.52%**	**929,111**	**(4,832)**
4 to 6 months	**0.65%**	**398,153**	**(2,601)**
7 to 12 months	**1.34%**	**314,385**	**(4,225)**
over 1 year	**26.06%**	**13,737**	**(3,580)**
		1,655,386	**(15,238)**

		2024	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*HK$'000*	*HK$'000*
Within 3 months	0.67%	1,333,581	(8,889)
4 to 6 months	0.87%	430,992	(3,750)
7 to 12 months	1.21%	327,210	(3,959)
over 1 year	12.46%	17,944	(2,235)
		2,109,727	(18,833)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025	2024
	HK$'000	*HK$'000*
Balance at 1 January	**18,833**	12,729
(Reversal of)/provision for impairment losses recognised during the year	**(4,271)**	6,181
Exchange adjustments	**676**	(77)
Balance at 31 December	**15,238**	18,833

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on:

– contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the Group can be required to pay; and

– expected undiscounted cash flows provided to the Group's key management personnel and the date the Group is expected to pay, shown as adjustments to the contractual undiscounted cash flows if the timing and/or amount to the cash flows are expected to be different from the contractual undiscounted cash flows.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2025 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Borrowings	**1,849,629**	**1,719,791**	**552,669**	**4,122,089**	**4,010,800**
Trade and bills payables	**281,748**	**–**	**–**	**281,748**	**281,748**
Accruals and other payables	**387,999**	**–**	**–**	**387,999**	**387,999**
Lease liabilities	**2,390**	**1,493**	**–**	**3,883**	**3,866**
	2,521,766	**1,721,284**	**552,669**	**4,795,719**	**4,684,413**

	2024 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	756,054	1,472,836	1,618,524	3,847,414	3,635,931
Trade and bills payables	547,618	–	–	547,618	547,618
Accruals and other payables	460,756	–	–	460,756	460,757
Lease liabilities	2,390	1,493	–	3,883	3,759
	1,766,818	1,474,329	1,618,524	4,859,671	4,648,065

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings and lease liabilities. Borrowings issued at variable rates and cash at banks expose the Group to cash flow interest rate risk. Deposits with banks and borrowings issued at floating rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings, cash at banks, deposits with banks and lease liabilities at the end of the reporting period.

	2025		2024	
	Effective interest rate		Effective interest rate	
	%	***HK$'000***	%	*HK$'000*
Fixed rate instruments:				
Deposits	**0.01~3.25**	**66,069**	0.01~3.25	271,298
Cash at banks	**0.01~2.88**	**149,589**	1.30~3.55	34,060
Borrowings	**1.60~2.80**	**(595,712)**	1.80~2.50	(532,920)
Lease liabilities	**4.00**	**(1,476)**	4.00	(3,759)
		(381,530)		(231,321)
Variable rate instruments:				
Deposits	**0.10~1.05**	**14,018**	0.10~1.05	24,525
Cash at banks	**0.01~2.10**	**1,540,966**	0.01~2.10	1,223,622
Borrowings	**1.06~4.11**	**(3,415,088)**	2.05~5.79	(3,103,011)
		(1,860,104)		(1,854,864)
		(2,241,634)		(2,086,185)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$16,942,000 (2024: HK$16,442,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2024.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars and Euros. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency is excluded.

	2025			2024		
	RMB	**USD**	**Euro**	RMB	USD	Euro
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	**–**	**1,760**	**–**	–	157,907	–
Cash and cash equivalents	**61,286**	**196,968**	**2,322**	788	29,944	3,077
Trade and other payables	**–**	**(4,040)**	**(413)**	–	(11,615)	(636)
Net exposure arising from recognised assets and liabilities	**61,286**	**194,688**	**1,909**	788	176,236	2,441

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings** ***HK$'000***	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings *HK$'000*
USD (against HKD)	**3%**	**4,972**	3%	4,502
	-3%	**(4,972)**	-3%	(4,502)
EUR (against HKD)	**3%**	**49**	3%	62
	-3%	**(49)**	-3%	(62)
RMB (against HKD)	**3%**	**1,839**	3%	24
	-3%	**(1,839)**	-3%	(24)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement

The three-level fair value hierarchy of financial instruments are defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2025	**Fair value measurements as at 31 December 2025**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Financial assets:				
Fair value through profit or loss				
– Trading securities	**46,366**	**46,366**	**–**	**–**
Fair value through other comprehensive income				
– Bank acceptance bills receivable	**60,071**	**–**	**60,071**	**–**

	Fair value at 31 December 2024	Fair value measurements as at 31 December 2024		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Financial assets:				
Fair value through profit or loss				
– Trading securities	34,999	34,999	–	–
Fair value through other comprehensive income				
– Bank acceptance bills receivable	135,461	–	135,461	–

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2024: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying values of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

29 COMMITMENTS

Capital commitments in regard of property, plant and equipment and intangible assets outstanding at 31 December 2025 not provided for in the financial statements were as follows:

	2025	2024
	HK$'000	*HK$'000*
Contracted for	**342,895**	561,838
	342,895	561,838

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2025	2024
	HK$'000	*HK$'000*
Salaries, bonus, allowance and other benefits	**13,932**	22,614

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Related party transactions

During the years ended 31 December 2025 and 2024, the directors are of the view that the following companies are related parties:

Name of party	**Relationship**
Sichuan Kelun and its subsidiaries (together as "Kelun Group")	The party whose parent has a significant influence on the Company
Cisen Pharmaceutical Co., Ltd. ("Cisen")	Associate of the Group

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

Particulars of the Group's transactions with these parties are as follows:

	2025 **HK$'000**	2024 HK$'000
Sales of goods to Kelun Group	**61,677**	80,192
Provision of research and development services to Kelun Group	**–**	517
Sales of goods to Cisen	**3,915**	13,604
Purchase of pharmaceutical materials from Kelun Group	**129,177**	179,636
Purchase of products manufacturing and transportation services from Kelun Group	**18,610**	25,828
Purchase of research and development services from Kelun Group	**3,313**	4,712

(c) Related party balances

	Note	**2025** ***HK$'000***	2024 *HK$'000*
Amounts due from related parties	*(i)*		
– Kelun Group		**16,671**	22,310
– Cisen		**198**	1,188
Amounts due to related parties	*(ii)*		11,329
– Kelun Group		**11,243**	11,329

(i) The outstanding balances are trading balances related to the sale of pharmaceuticals and medical materials, which is included in "Trade and bills receivables" (See note 17).

(ii) The outstanding balances are trading balances related to the purchase of pharmaceutical materials, the purchase of research and development services, and the sale of pharmaceuticals and medical materials, which is included in "Trade and bills payables" (See note 22), "Accruals and other payables" (See note 23) and "Contract liabilities".

Amounts due from/to related parties are unsecured, interest-free and expected to be recovered within one year.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions with Kelun Group constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the Directors.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2025		2024	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		**313**		335
Right-of-use assets		**3,883**		3,734
Investments in subsidiaries		**944,179**		944,179
		948,375		948,248
Current assets				
Dividends receivable	**130,336**		130,336	
Prepayments, deposits and other receivables	**1,455**		1,317	
Amounts due from subsidiaries	**83,580**		83,580	
Cash and cash equivalents	**53,550**		33,438	
	268,921		248,671	
Current liabilities				
Borrowings	**172,692**		–	
Lease liabilities	**2,390**		2,283	
Accruals and other payables	**94**		94	
Amounts due to subsidiaries	**344,980**		470,456	
	520,156		472,833	
Net current liabilities		**(251,235)**		(224,162)
Total assets less current liabilities		**697,140**		724,086
Non-current liabilities				
Lease liabilities	**1,476**		1,476	
	1,476		1,476	
NET ASSETS		**695,664**		722,610
Capital and reserves *(note 27(a))*				
Share capital		**65,829**		65,966
Reserves		**629,835**		656,644
TOTAL EQUITY		**695,664**		722,610

Approved and authorised for issue by the board of directors on 27 March 2026.

Qu Jiguang
Director

Su Xuejun
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 27(b).

After the end of the reporting period, 100,000,000 share options granted to employees lapsed without exercise. Further details are disclosed in note 27(d)(iii).

No adjustment has been made in this financial report in this regard.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider the immediate parent and ultimate controlling party of the Group to be China Pharmaceutical Co., Ltd., which is controlled by Mr. Qu Jiguang and incorporated in Samoa. This entity does not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – *Contracts referencing nature-dependent electricity*	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – *Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2022	2023	2024	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	5,356,763	6,434,025	6,463,009	5,773,251	**4,165,465**
Profit before taxation	948,397	1,399,152	1,583,569	1,281,603	**563,696**
Profit attributable to equity shareholders	785,533	1,122,837	1,318,616	1,061,150	**470,637**

	As at 31 December				
	2021	2022	2023	2024	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	10,708,720	10,966,512	11,966,336	12,603,680	**12,813,113**
Total liabilities	(4,216,012)	(4,420,688)	(4,697,644)	(5,068,030)	**(5,192,450)**
Non-controlling interests	(273,845)	(332,224)	(336,158)	(315,410)	**(319,735)**
Equity attributable to equity shareholders	6,218,863	6,213,600	6,932,534	7,220,240	**7,300,928**