



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

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 882

**Annual Report**  
**2025**



# Contents

Corporate Information	2
Business Structure	3
Financial Highlights	5
Chairman's Statement	7
Management Discussion and Analysis	9
Biographical Details of Directors and Senior Management	15
Environmental, Social and Governance Report	20
Corporate Governance Report	51
Report of the Directors	67
Independent Auditor's Report	83
Consolidated Statement of Profit or Loss	88
Consolidated Statement of Profit or Loss and Other Comprehensive Income	89
Consolidated Statement of Financial Position	90
Consolidated Statement of Changes in Equity	92
Consolidated Statement of Cash Flows	93
Notes to the Consolidated Financial Statements	95
Financial Summary	192

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Director

Mr. Sun Lijun

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Lau Ka Keung (*Chairman*)  
Ms. Ng Yi Kum, Estella  
Mr. Teng Fei

## NOMINATION COMMITTEE

Mr. Teng Fei (*Chairman*)  
Ms. Ng Yi Kum, Estella  
Mr. Lau Ka Keung  
Mr. Sin Hendrick

## INVESTMENT COMMITTEE

Mr. Sin Hendrick (*Chairman*)  
Mr. Wong Shiu Hoi, Peter  
Mr. Teng Fei

## AUTHORISED REPRESENTATIVES

Mr. Teng Fei  
Dr. Zhai Xinxiang

## REGISTERED OFFICE

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

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

## STOCK CODE

Hong Kong Stock Exchange: 882

## WEBSITE

[www.tianjindev.com](http://www.tianjindev.com)

## COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia

## SHARE REGISTRAR

Tricor Investor Services Limited  
17th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

## PRINCIPAL BANKERS

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

# Tianjin Development Holdings Limited



# Business Structure

## UTILITIES

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

## PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Yiyao Printing Co., Ltd.	43.55%	Design, manufacture and printing for pharmaceutical packaging
Tianjin Lisheng Pharmaceutical Co., Ltd.	34.12%	Manufacture and sales of chemical drugs, proprietary Chinese medicines and other healthcare products
Tianjin Institute of Pharmaceutical Research Co., Ltd.	20.80%	Research and development of new medicine technology and new products

## HOTEL

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

## ELECTRICAL AND MECHANICAL

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

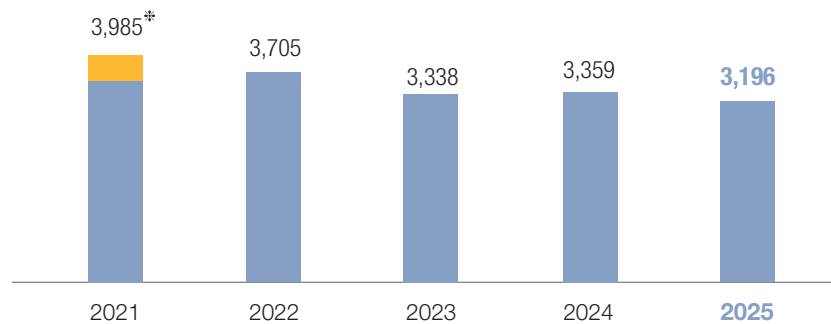
## STRATEGIC AND OTHER INVESTMENTS

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

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

## Revenue

HK\$ million



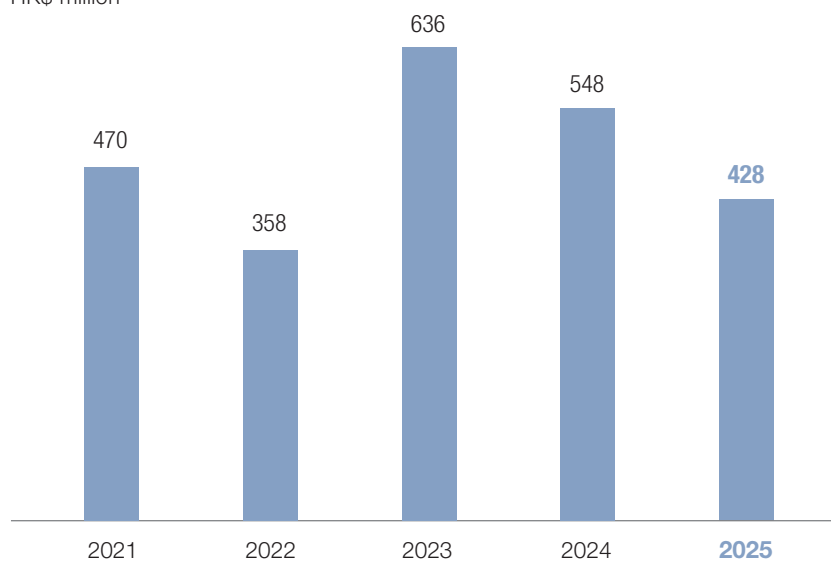
for the year ended 31 December

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

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

## Profit Attributable to Owners of the Company

HK\$ million



for the year ended 31 December

# Financial Highlights

## SEGMENTAL ANALYSIS BY OPERATIONS

For the year ended 31 December

### Revenue

	2025 HK\$ million	2024 HK\$ million	Changes %
Utilities	1,264	1,444	(12.5)
Pharmaceutical	1,665	1,609	3.5
Hotel	136	134	1.5
Electrical and mechanical	131	172	(23.8)
	<b>3,196</b>	3,359	(4.9)

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

	2025 HK\$ million	2024 HK\$ million	Changes HK\$ million
Utilities	53	95	(42)
Pharmaceutical <sup>(note)</sup>	154	237	(83)
Hotel	29	18	11
Electrical and mechanical	(75)	(104)	29
Port services	140	144	(4)
Elevators and escalators	197	231	(34)
Corporate and others	(70)	(73)	3
	<b>428</b>	548	(120)

note:

Pharmaceutical segment in 2025 included an one-off gain of RMB279,450,000 (equivalent to approximately HK\$305,076,000) regarding the special dividend from Tasly Bio-Medicine Industry Group Co., Ltd. (天士力生物醫藥產業集團有限公司), an equity instrument at fair value through other comprehensive income, while in 2024 included one-off gains of (i) approximately RMB71,340,000 (equivalent to approximately HK\$78,138,000) regarding the disposal of 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd. (天津田邊製藥有限公司); and (ii) approximately RMB319,763,000 (equivalent to approximately HK\$350,233,000) regarding the dilution of equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (details of which are set out in Note 6 to the consolidated financial statements).

## PROFIT AND DIVIDEND FOR THE YEAR 2025

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2025 was approximately HK\$427.9 million, as compared to HK\$548.1 million of last year. The Board recommends payment of a final dividend of HK8.82 cents per share for the year ended 31 December 2025. This final dividend together with the interim dividend of HK5.18 cents per share already paid, will make a total of HK14 cents per share for the full year of 2025.

## BUSINESS OVERVIEW

In 2025, the Company's various business segments maintained steady development and attained the expected performance. The major development strategies of the Company in the near future will prioritise stable operations for its existing businesses and steadily promote high-quality development through mergers, acquisitions, and restructuring. Additionally, the Company will focus on businesses with development potential and sustainable expansion.

Benefiting from the stable economic development across the Tianjin Economic and Technological Development Area (“TEDA”), the utilities sector recorded a solid performance during the year and achieved the expected results. TEDA Power continued to advance the optimisation of the regional energy mix and green transformation by constructing an innovative “source-grid-load-storage” integrated distributed smart grid in the western district of TEDA, supporting the green and low-carbon development of regional energy.

The pharmaceutical sector continued to deepen its business layout and reported annual revenue of approximately HK\$1,664.8 million and profit of approximately HK\$447.3 million. Lisheng Pharmaceutical received broad recognition for its efforts in promoting the quality-driven development, reform and innovation of “China Time-honored Brands (中華老字號)”. During the year, it was awarded the “Second Prize for Achievements in Deepening Reform of State-Owned Enterprises (國有企業深化改革實踐成果二等獎)” and the “Second Prize in the Benchmark Enterprise Lean Improvement Skills Competition (企業標桿精益改善技能大賽二等獎)”, jointly presented by the Chinese journals “Enterprise Management (企業管理)” and “Entrepreneur (企業家)”. In terms of R&D and production, Lisheng Pharmaceutical's products Perindopril Amlodipine Tablets (I) (培哌普利氨氯地平片(I)), Ticagrelor Orodispersible Tablets (替格瑞洛分散片) and Voriconazole Active Pharmaceutical Ingredient (伏立康唑原料藥) successfully obtained marketing authorisation from the National Medical Products Administration. During the year, Lisheng Pharmaceutical's R&D platform was designated as the “Tianjin Key Laboratory for Controlled-Release and Solid Dispersion Pharmaceutical Preparations (天津市緩控釋及固體分散體藥物製劑重點實驗室)” by the Tianjin Municipal Science and Technology Bureau. Additionally, Yiyou Printing (Jiangsu) Co., Ltd. (宜藥印務(江蘇)有限公司) was selected for the “2025 Jiangsu Provincial Science and Technology SMEs (二零二五年度江蘇省科技型中小企業)” and “2025 Jiangsu Provincial Green Factories (二零二五年度江蘇省綠色工廠)” lists, demonstrating their technical expertise, green production capabilities, and innovative vitality.

The performance of Hotel Courtyard by Marriott Hong Kong was in line with our expectations. Throughout the year, business visitors remained stable while room rates were elevated slightly. The average occupancy rate was approximately 91.7%, an increase of approximately two percentage points over last year.

Electrical and mechanical business encountered more difficulties, with annual revenue declining by 23.7% to approximately HK\$131 million, while the operating loss narrowed. In view of its lower-than-expected performance, we will continue to review the business strategies for this segment and actively explore the feasibility of restructuring of its operation.

As regards strategic investments, the profit contributions from Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited were in line with our expected targets.

# Chairman's Statement

## PROSPECT

Looking ahead to 2026, the global economy confronts high uncertainty, as geopolitical conflicts and international trade tensions persist. The external environment will face more complex and severe challenges. The Chinese economy has entered a new phase of development, and its long-term fundamentals and underlying supporting conditions remain solid. It is expected that the implementation of various policy measures will provide an impetus for China's sustainable and steady economic development.

Our Company with solid foundations and financial strength will be capable of dealing with the complex environment and challenges ahead. While maintaining steady development of existing businesses, we will continue to deepen the development of transformation, upgrading and innovation. The Company will actively involve in the further reform of state-owned enterprise in Tianjin City, so as to proactively identify and seize new development opportunities. We remain confident in the future.

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

**Teng Fei**

*Chairman and Executive Director*

Hong Kong, 30 March 2026

## BUSINESS REVIEW

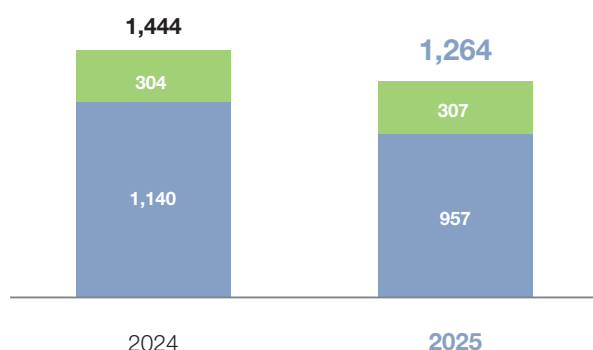
### Utilities

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

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

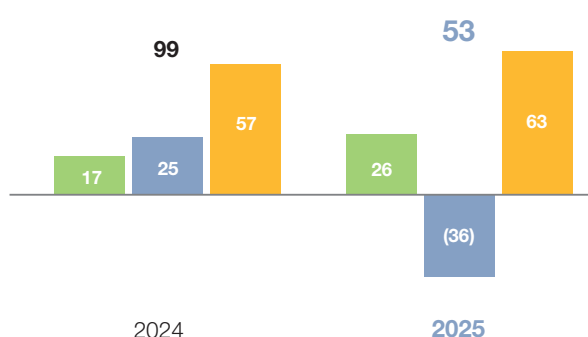
#### Revenue

HK\$ million



#### Profit

HK\$ million



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

### Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. (天津泰達津聯自來水有限公司) (the "Water Company") and its subsidiary are principally engaged in supply of tap water in TEDA. They also provide services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts as well as provision of water testing services. The daily water supply capacity of the Water Company was approximately 325,000 tonnes (2024: 325,000 tonnes).

Revenue from the Water Company was approximately HK\$307.2 million, representing an increase of 1% from HK\$304.3 million in 2024. Profit from the Water Company amounted to approximately HK\$26.1 million, representing an increase of 50.9% from HK\$17.3 million last year. The increases in revenue and profit were primarily driven by higher sales volume and improved operational efficiency, leading to better cost control and improved gross profit. The total quantity of water sold for the year was approximately 45,549,000 tonnes, representing an increase of 1.5% over last year.

### Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (天津泰達津聯熱電有限公司) (the "Heat and Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat and Power Company has transmission pipelines of approximately 576 kilometres (2024: 549 kilometres) and more than 120 processing stations (2024: 120 processing stations) in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

# Management Discussion and Analysis

In 2025, the Heat and Power Company reported revenue of approximately HK\$956.7 million, representing a decline of 16% from HK\$1,139.4 million last year. The Heat and Power Company recorded a loss of approximately HK\$36 million, representing a decrease by HK\$60.7 million from profit of HK\$24.7 million in 2024. The decline in revenue was primarily attributable to a reduction of government supplemental income by HK\$89.5 million and lower volumes of steam sold during the year. Such side effect on profit was partly offset by lower operating expenses, resulting from improved cost efficiency. The total quantity of steam sold for the year was approximately 2,958,000 tonnes, representing a decrease of 9.7% over last year.

## Electricity

As at 31 December 2025, the Group has 47.09% equity interest in Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司) (“**TEDA Power**”). TEDA Power is principally engaged in supply of electricity in TEDA and also provides services in relation to construction of electricity supply network, application of technology related to new energy and renewable energy, electricity construction and related technical services as well as energy storage technology services. Currently, the installed transmission capacity of TEDA Power is approximately 1,360,000 kVA.

During the year, the revenue of TEDA Power amounted to approximately HK\$2,477.6 million, representing an increase of 3.3% compared with last year. TEDA Power contributed to the Group a profit of approximately HK\$62.8 million, an increase of 9.2% from HK\$57.5 million in 2024. The total quantity of electricity sold for the year was approximately 3,154,400,000 kWh, representing an increase of 2% over last year.

## Pharmaceutical

Pharmaceutical segment is principally engaged in the manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products as well as design, manufacture and printing for pharmaceutical packaging in the PRC, and also participates in the business of research and development of new medicine technology and new products through its 31.05% equity interest in Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”), an equity instrument at fair value through other comprehensive income.

In 2025, revenue from pharmaceutical segment was approximately HK\$1,664.8 million, an increase of 3.4% from HK\$1,609.7 million last year. Of the total segment revenue, revenue from manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products was approximately HK\$1,508.6 million, an increase of 3.7% from HK\$1,454.9 million last year. Revenue from sale of packaging materials amounted to approximately HK\$156.2 million, an increase of 0.9% from HK\$154.8 million in 2024.

Profit from pharmaceutical segment was approximately HK\$447.3 million, compared with HK\$443.3 million last year. If not taking into account the special dividend of HK\$305.1 million distributed by Tasly Bio-Medicine Industry Group Co., Ltd. (天士力生物醫藥產業集團有限公司) (“**Tasly Group**”), profit from pharmaceutical segment amounted to approximately HK\$142.2 million, compared to a profit of approximately HK\$15 million in 2024 on a like-for-like basis. This result was primarily driven by higher gross profit from the pharmaceutical products business, attributable to an improved operating margins following the implementation of marketing strategy adjustments, and the absence of the Group’s share of losses from the Research Institute. These factors were partially offset by higher general and administrative expenses as well as research and development costs during the year.

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

# Management Discussion and Analysis

## Hotel

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

In 2025, Courtyard Hotel reported revenue of approximately HK\$136.5 million, an increase of 1.7% from HK\$134.2 million last year. Profit from the operation of Courtyard Hotel increased 57.5% to approximately HK\$28.5 million from HK\$18.1 million in 2024. The average room rate increased slightly and the average occupancy rate was approximately 91.7%, two percentage points improvement over last year.

## Electrical and Mechanical

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

In 2025, revenue from electrical and mechanical business was approximately HK\$131 million, representing a decrease of 23.7% over last year. Loss from electrical and mechanical business was approximately HK\$90.3 million compared to a loss of HK\$126.7 million in 2024. The reduction in loss was mainly due to lower administrative expenses and reversal of impairment loss on contract assets, partly offset by lower revenue and narrow operating margins on a number of contract works completed during the year. The Group will continue to adopt a cautious stance toward the operating performance of electrical and mechanical business, and may critically assess the potential benefits of its operational restructuring.

## Strategic and Other Investments

### Port Services

As at 31 December 2025, the Group has 21% equity interest in Tianjin Port Development Holdings Limited (“**Tianjin Port**”) (stock code: 3382). Tianjin Port is engaged in the provision of port services including container and cargo handling services, sales and other port ancillary services in Tianjin, the PRC.

During the year, total revenue of Tianjin Port amounted to approximately HK\$14,466.8 million, representing an increase of 5.5% compared with last year.

In 2025, profit attributable to owners of Tianjin Port was approximately HK\$666.6 million. Tianjin Port contributed to the Group a profit of approximately HK\$140 million, representing a decrease of 2.9% over last year.

### Elevators and Escalators

As at 31 December 2025, the Group has 16.55% equity interest in Otis Elevator (China) Investment Company Limited (奧的斯電梯(中國)投資有限公司) (“**Otis China**”). Otis China is engaged in the manufacture and sale of elevators and escalators in the PRC.

During the year, the revenue of Otis China decreased by 11.2% to approximately HK\$16,542.2 million. Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$197.3 million, representing a decline of 14.7% over 2024.

### Investment in Binhai Investment Company Limited

As at 31 December 2025, the Group has 4.2% equity interest in Binhai Investment Company Limited (“**Binhai Investment**”) (stock code: 2886) and on that date, the market value of the Group’s interest in Binhai Investment was approximately HK\$68.5 million (2024: approximately HK\$66.8 million) and the unrealised fair value gain of approximately HK\$1.7 million (2024: unrealised fair value loss of HK\$12.5 million) was recognised in other comprehensive income.

# Management Discussion and Analysis

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

As at 31 December 2025, the Group had 12.15% equity interest in Tasly Group, a non-core passive investment in relation to the Group's pharmaceutical segment which was acquired indirectly from the controlling shareholder in 2015 by using merger accounting at an investment costs of HK\$191.5 million and is now held by Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司) ("**Central Pharmaceutical**"), a wholly-owned subsidiary of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司). Tasly Group is a conglomerate established under the laws of the PRC on 30 March 2000 and among its principal assets is holding of 257,164,534 A shares in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司) ("**Tasly Pharmaceutical**"), representing approximately 17.21% of Tasly Pharmaceutical's total issued A shares. Tasly Pharmaceutical is principally engaged in the research and development, manufacturing and distribution of pharmaceutical products in the PRC.

As at 31 December 2025, the fair value of investment in Tasly Group was approximately HK\$850.9 million (2024: approximately HK\$1,272.7 million), accounting for approximately 3.7% of the Group's total assets, and on that date the fair value loss together with the exchange effect amounted to approximately HK\$421.8 million has been recognised in other comprehensive income. During the year, dividend income from Tasly Group was approximately HK\$331.6 million (2024: HK\$4 million). The holding of 12.15% equity interest in Tasly Group is not held for trading and not expected to be sold in the foreseeable future.

## PROSPECT

Looking ahead to 2026, the global economy confronts high uncertainty, as geopolitical conflicts and international trade tensions persist. The external environment will face more complex and severe challenges. The Chinese economy has entered a new phase of development, and its long-term fundamentals and underlying supporting conditions remain solid. It is expected that the implementation of various policy measures will provide an impetus for China's sustainable and steady economic development.

The Group with solid foundations and financial strength will be capable of dealing with the complex environment and challenges ahead. While maintaining steady development of existing businesses, the Group will continue to deepen the development of transformation, upgrading and innovation. The Group will actively involve in the further reform of state-owned enterprise in Tianjin City, so as to proactively identify and seize new development opportunities.

## LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK

As at 31 December 2025, the total cash on hand and total bank borrowings of the Group stood at approximately HK\$6,800.6 million and HK\$1,980.7 million respectively (2024: approximately HK\$6,272.1 million and HK\$1,989.8 million respectively).

The Group's sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$238.8 million (2024: HK\$1,965.2 million) will mature within one year. During the year ended 31 December 2025, the Group entered into a revolving loan facility and a three-year term loan facility with commercial banks in Hong Kong. Aggregate loan facilities amounting to HK\$1,820 million were made available to the Group, bearing floating rates at a spread of 1.5% to 1.6% over HIBOR for the respective interest periods. The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 15.2% as at 31 December 2025 (2024: approximately 15.8%).

## LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK<sup>(Continued)</sup>

Of the total HK\$1,980.7 million bank borrowings outstanding as at 31 December 2025, HK\$1,906 million were subject to floating rates with spread of 1.4% to 1.6% over HIBOR of the relevant interest periods, of which the amount of HK\$1,706 million is linked to the sustainability performance of the Group's environmental, social and governance performance metrics and that its interest rate may be reduced depending on the extent of pre-determined key performance indicators being met, and RMB67.5 million (equivalent to approximately HK\$74.7 million) of bank borrowings were fixed-rates debts with annual rates at 2.8% to 3.1%.

As at 31 December 2025, 96% (2024: 96%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 4% (2024: 4%) was denominated in Renminbi.

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

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of approximately 2,796 employees (2024: 2,729) of which approximately 244 (2024: 259) were management personnel and 990 (2024: 894) were technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the employees' salaries. Meanwhile, certain employees and employee groups of the Group's subsidiary in the PRC are also eligible for the relevant restricted share incentive scheme. During the year ended 31 December 2025, the Group had no forfeited contributions under the retirement benefits scheme that might be used by the Group to reduce the existing level of contributions (2024: Nil).

## CHARGE ON ASSETS

As at 31 December 2025, restricted bank balances of HK\$70.1 million (2024: HK\$119.2 million), property, plant and equipment of HK\$64 million (2024: Nil) and land use right of HK\$4.6 million (2024: Nil) were pledged to financial institutions by the Group to secure general banking facilities.

# Management Discussion and Analysis

## LITIGATION

As disclosed in the 2024 annual report of the Company (terms defined therein shall have the same meanings when used here), the Higher People's Court of Tianjin had revoked the appeals from both Central Pharmaceutical and the Agent. Thus, the First Judgement remains unchanged and is final. The management of the Group maintains the opinion that such litigation has no material adverse effect on the financial position of the Group.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.82 cents per share for the year ended 31 December 2025 (2024: HK8.82 cents per share) to the shareholders whose names appear on the Company's register of members on 9 July 2026 (Thursday). Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 23 June 2026 (Tuesday), the final dividend will be paid on 31 July 2026 (Friday).

The final dividend together with the interim dividend of HK5.18 cents per share paid on 31 October 2025 makes a total of HK14 cents per share for the year (2024: HK14 cents per share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 June 2026 (Wednesday) to 23 June 2026 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. The record date for determining the eligibility of the shareholders of the Company to attend and vote at the annual general meeting will be 23 June 2026 (Tuesday). In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 16 June 2026 (Tuesday).

The register of members of the Company will be closed from 6 July 2026 (Monday) to 9 July 2026 (Thursday), both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement of the proposed final dividend will be 9 July 2026 (Thursday). In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 3 July 2026 (Friday).

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. TENG Fei**, aged 47, was appointed as the Chairman of the Board of the Company on 27 March 2024. Mr. Teng was appointed as an Executive Director and Deputy General Manager of the Company on 30 March 2023. He is also the Chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Investment Committee of the Company. Mr. Teng is a chief senior engineer, graduated from Tianjin University with a Master of Business Administration degree. Prior to joining the Company, he had served in various roles including assistant to general manager of Tianjin Zhonghuan Electronics Computer Co. (天津市中環電子計算機公司), assistant manager of Tianjin Zhonghuan Huaxiang Electronics Co., Ltd. (天津市中環華祥電子有限公司), deputy general manager of iMarketChina Co., Ltd. (三星愛商(天津)國際物流有限公司), general manager of Tianjin Zhonghuan Electronics Computer Co., Ltd. (天津市中環電子計算機有限公司), chairman of Tianjin Huanbo Science and Technology Co., Ltd. (天津環博科技有限公司), president of Cashway Fintech Co., Ltd. (恆銀金融科技股份有限公司) (Stock Code: 603106.SH) and Hengrong Investment Holdings Co., Ltd. (恆融投資集團有限公司). Mr. Teng is currently the chairman and general manager of Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a director and general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) and Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, an executive director of Tianjin Port Development Holdings Limited (Stock Code: 03382.HK) and a director of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (Stock Code: 002393.SZ), as well as a director of certain subsidiaries of the Company. He has extensive experience in corporate management, specialising in production and manufacturing enterprises management.

**Dr. ZHAI Xinxiang**, aged 58, was appointed as an Executive Director and General Manager of the Company on 29 September 2023. Dr. Zhai is a senior engineer, graduated from Tianjin Institute of Light Industry major in food engineering in 1989, studied in graduate school of corporate management from Graduate School of Chinese Academy of Social Sciences from 1996 to 1998, and studied in Tianjin University major in technology economic and management from 2002 to 2005, and obtained a Doctoral Degree in Management in 2005. Prior to joining of the Company, he has been in various roles including Tianjin Great Wall Food Company, successively served as executive committee member of Communist Youth League of Tianjin (天津團市委), vice-chairman and chief secretary of Tianjin Youth Federation (天津市青年聯合會), deputy general manager of TEDA Microelectronics Industrial Zone Company (天津開發區微電子工業區總公司), chairman of Tianjin Binhai TEDA Hotel Development Co., Ltd. (天津濱海泰達酒店開發有限公司), chairman of Tianjin TEDA International Hotel Group Co., Ltd. (天津泰達國際酒店集團有限公司), director of Tianjin TEDA Investment Holding (Group) Co., Ltd. (天津泰達投資控股(集團)有限公司) (formerly Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)) and the president of Tianjin Tourism Association (天津市旅遊協會). Dr. Zhai is currently the deputy general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) and Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), director and deputy general manager of Tsinlien Group Company Limited (津聯集團有限公司), all being controlling shareholders of the Company, as well as a director of certain subsidiaries of the Company. He has in-depth and extensive experience in economics, corporate management and public relations.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS (Continued)

**Mr. XIA Binhui**, aged 42, was appointed as an Executive Director and Deputy General Manager of the Company on 30 December 2024. Mr. Xia graduated from Peking University with a Bachelor's Degree in Law and obtained a Master's Degree in Economic Law from China University of Political Science and Law. Prior to joining the Company, he has been in various roles including assistant manager of audit department and manager of strategic client department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (Stock Code: 01359.HK), deputy general manager of HNA Financial Services (Shenzhen) Co., Ltd. (海航金融服務(深圳)有限公司), executive vice president of Beijing Tunghsu Capital Holding Co., Ltd. (北京東旭資本控股有限公司), senior partner and managing director of Zhongcai Rongshang (Beijing) Capital Management Co., Ltd. (中財融商(北京)資本管理有限公司), deputy general manager (in charge of overall operation) and executive deputy general manager of Tianjin TEDA Asset Operation Management Co., Ltd. (天津泰達資產運營管理有限公司), a wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司). Mr. Xia is currently the deputy general manager of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司), Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) and Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien"), all being controlling shareholders of the Company, a non-executive director of Binhai Investment Company Limited (Stock Code: 02886.HK), as well as a director of certain subsidiaries of Tsinlien. He has extensive experience in corporate operation management, assets revitalization, merger and reorganization, and special assets investment.

## NON-EXECUTIVE DIRECTOR

**Mr. SUN Lijun**, aged 43, was appointed as a Non-Executive Director of the Company on 30 March 2023. Mr. Sun is a chief senior accountant with the qualifications of certified public accountant and certified tax agent of the PRC. He graduated from Nankai University with a Bachelor's Degree in Management major in Accounting in 2004 and a Master's Degree in Management major in Accounting in 2006. Prior to joining the Company, Mr. Sun has been in financial related roles with several companies including China Unicom Corporation Limited, Tianjin Branch (中國聯通有限公司天津分公司), China Telecom Corporation Limited, Tianjin Branch (中國電信股份有限公司天津分公司), CECEP (Tianjin) Investment Group Co., Ltd. (中節能(天津)投資集團有限公司) and the property rights administrative office of China Shenhua Energy Company Limited (中國神華能源股份有限公司產權管理局). He had also served as supervisor of the finance department of China Nuclear (Tianjin) Machine Co., Ltd. (中核(天津)機械有限公司) and financial controller of Shanghai Huayi Jinjia Development Co., Ltd. (上海華義晉嘉企業發展有限公司). Mr. Sun joined Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("TEDA Industrial") since 2019 and has worked in various roles including deputy head of assets management department and head of finance department of TEDA Industrial and Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien"). He is currently the financial controller of TEDA Industrial, Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) and Tsinlien, all being controlling shareholders of the Company, and the chairman of Tianjin Jinjiu Group Co., Ltd. (天津津酒集團有限公司), a non-wholly owned subsidiary of TEDA Industrial, as well as a director of certain subsidiaries of TEDA Industrial. Mr. Sun has extensive experience in financial and treasury management.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. NG Yi Kum, Estella**, aged 68, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. From December 2015 to May 2024, Ms. Ng was the Deputy Chairman and Executive Director, Chief Strategy Officer & Chief Financial Officer and Company Secretary of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), a company whose shares are listed on the Stock Exchange. From January 2008 to April 2014, she was the chief financial officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company whose shares are listed on the Stock Exchange. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (“**Hang Lung**”) (Stock Code: 101), a company whose shares are listed on the Stock Exchange. Prior to her joining in Hang Lung in 2003, she was employed by the Stock Exchange in a number of senior positions, most recently as senior vice president of the Listing Division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, The Chartered Governance Institute, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has been an elected member of Quality Tourism Services Association Governing Council (Retailer Category) from February 2019 to May 2024. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority until November 2013. Ms. Ng is currently an independent non-executive director of CMGE Technology Group Limited (Stock Code: 302), Comba Telecom Systems Holdings Limited (Stock Code: 2342), KWG Living Group Holdings Limited (Stock Code: 3913) and Powerlong Commercial Management Holdings Limited (Stock Code: 9909), all companies are listed on the Stock Exchange, amongst which Comba Telecom Systems Holdings Limited is also listed on the Singapore Exchange Limited (Singapore Stock Code: STC).

**Mr. WONG Shiu Hoi, Peter**, aged 85, was appointed as an Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of each of the Audit Committee and the Investment Committee of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the University of Macau). He possesses over 40 years of experience in the financial services industry. Mr. Wong is the past chairman of The Hong Kong Institute of Directors and was a director of the Hong Kong Securities and Investment Institute, an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited as well as an overseas business advisor of Haitong Securities Company Limited. He is currently an independent non-executive director of Tai Hing Group Holdings Limited (Stock Code: 6811), a company whose shares are listed on the Stock Exchange. Mr. Wong also served as an independent non-executive director of Agile Group Holdings Limited (Stock Code: 3383) until 26 June 2023.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. LAU Ka Keung**, *BBS, MH, JP*, aged 50, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Lau received his bachelor's degree in information technology from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008. Mr. Lau is a member of the Eighth Legislative Council of Hong Kong, a deputy of Hong Kong to the 14th session of National People's Congress of the PRC (中國第十四屆全國人民代表大會), an executive committee member of the 15th session of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十五屆委員會) and the vice chairman of Tianjin Federation of Industry and Commerce (天津市工商業聯合會). He has served as a member of the 13th session of National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆全國委員會), executive committee member of the 14th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十四屆委員會), executive member of the 13th session of All-China Youth Federation (中華全國青年聯合會第十三屆常務委員會委員) as well as the chairman of the 28th session of Hong Kong United Youth Association (香港青年聯合會). Mr. Lau has extensive experience in business management. He is a non-executive director of Million Cities Holdings Limited (Stock Code: 2892), an independent non-executive director of OrbusNeich Medical Group Holdings Limited (Stock Code: 6929) and West China Cement Limited (Stock Code: 2233), and had served as a non-executive director of Nameson Holdings Limited (Stock Code: 1982), all of these companies are listed on the Stock Exchange.

**Mr. SIN Hendrick**, *MH, JP*, aged 51, was appointed as an Independent Non-Executive Director of the Company on 30 March 2023. He is also the Chairman of the Investment Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Sin received his triple bachelor's degrees in computer science/mathematics, economics and industrial management from Carnegie Mellon University in May 1996 and graduated from Stanford University with a master's degree in engineering-economic systems and operations research in June 1997. Mr. Sin is a deputy of Hong Kong to the 14th session of the National People's Congress of the PRC (中國第十四屆全國人民代表大會) and an executive committee member of the 15th session of Tianjin Municipal Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十五屆委員會). He is the president of the Internet Professional Association (香港互聯網專業協會), the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會) and a member of the Hong Kong Institute of Directors (香港董事學會). Mr. Sin has also been appointed by the Hong Kong Government as a director of Hong Kong Cyberport Management Company Limited (香港數碼港管理有限公司). Mr. Sin has extensive experience in corporate management, finance and investment banking. He is a co-founder, executive director and vice chairman of CMGE Technology Group Limited (Stock Code: 302) and also the founding and managing partner of China Prosperity Capital Fund, a leading venture capital firm with a primary focus on technology investment. Mr. Sin is currently an independent non-executive director of Evergreen Products Group Limited (Stock Code: 1962) and Hong Kong Economic Times Holdings Limited (Stock Code: 423), all of these companies are listed on the Stock Exchange. He is also an independent director of 36 Kr Holdings Inc. (Stock Symbol: KRKR), a company listed on the NASDAQ Stock Exchange. Mr. Sin also served as an independent non-executive director of China Tower Corporation Limited (Stock Code: 788) until 23 July 2025.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. CHONG Ching Hei**, aged 53, Chief Financial Officer of the Company. Mr. Chong graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 1999 and has been a fellow member since July 2023. Mr. Chong has extensive experience in auditing and corporate finance. Mr. Chong previously worked for Deloitte Touche Tohmatsu for over seven years. During the period from 2004 to 2006, he served as a financial controller and company secretary of Coastal Rapid Transit Company Limited, a wholly-owned subsidiary of the Company. Prior to re-joining the Company in July 2013, Mr. Chong was the financial controller and company secretary of Jianhua Concrete Pile Holdings Limited.

**Ms. LEE Su Yee, Bonnia**, aged 48, Company Secretary of the Company. Ms. Lee graduated from the City University of Hong Kong with a Master of Science Degree in Professional Accounting and Corporate Governance. She is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Lee is also a holder of the Practitioner's Endorsement from The Hong Kong Chartered Governance Institute and is accredited as a Certified ESG Planner CEP® by the International Chamber of Sustainable Development. She joined the Company since October 2010 as an assistant company secretary and has extensive experience in company secretarial practice.

# Environmental, Social and Governance Report

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

## REPORTING SCOPE

This ESG report covers Tianjin Development Holdings Limited’s (“the **Group**”, “**we**”, “**our**” or “**us**”) principal operating segments of utilities, pharmaceutical and electrical and mechanical for the period from 1 January to 31 December 2025 (the “**Reporting Period**”, “**FY2025**”). The report includes only material ESG issues which are identified by the Group through materiality assessment and covers the entities where the Group has operational control.

## REPORTING PRINCIPLES

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

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

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

## ESG GOVERNANCE<sup>1</sup>

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

The Board is responsible for overseeing the ESG (including climate-related) activities of the Group, setting and approving ESG-related policies, targets and strategies from the Group perspective, and reviewing the progress made against them at least annually. An ESG working group, comprising representatives from the abovementioned principal operating segments and each of the key functions, has been established to collect ESG data, facilitate the ESG reporting process and inform the Board of the climate-related risks and opportunities at the Board meetings. Furthermore, the ESG working group will advise the Board on climate-related risks and opportunities when there are major transactions or policy updates to ensure that the Board is fully aware of the related risks and opportunities involved.

<sup>1</sup> Our current remuneration policy does not include climate-related considerations. We will explore the feasibility in factoring climate-related considerations into executive’s remuneration where appropriate.

# Environmental, Social and Governance Report

To better understand ESG and climate-related risks, the Board and ESG working group receive relevant training on an annual basis. The ESG working group is supported by a number of key functions, including the Company Secretary, Finance, Human Resources, Administrative, Purchasing, Customer Services and Strategic Planning departments, enabling the Group to disclose necessary information across our operations in order to present a balanced picture of our ESG performance. The ESG working group is also responsible for overseeing the implementation of ESG policies and strategies and reports regularly to the Board. The Board is fully aware of the importance of controlling and managing ESG-related risks and continuously reviews the strategy and policy direction of the Group in relation to its ESG areas, in order to ensure the effectiveness of the risk management, compliance, and corresponding internal control system within the aspects of ESG.

Business functions in each principal operating segments are on the frontline to identify relevant ESG issues during daily operations and report them to their respective representatives in ESG working group. They are also primarily responsible for developing their own ESG implementation plans and include them as a KPI when considering compensation increase for senior management. The Group also continuously monitor the ESG-related risks by ensuring that relevant ESG risks are considered in the annual risk assessment process and prior to any major transaction, with appropriate internal controls are in place to manage the risks.

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

Target	Progress
<ul style="list-style-type: none"><li>5% deduction on air emissions and water discharge intensity per revenue in RMB'000 by 2025 as compared with FY2019</li></ul>	<ul style="list-style-type: none"><li>Achieved – 31.7% reduction compared to FY2019 baseline</li></ul>
<ul style="list-style-type: none"><li>5% deduction on hazardous waste production intensity per revenue in RMB'000 by 2025 as compared with FY2019</li></ul>	<ul style="list-style-type: none"><li>Ongoing – The increase of hazardous waste production intensity is mainly contributed to the growing number of trial production runs and experiments within the pharmaceutical sector, as well as the scrap generated from drug recycling processes</li></ul>
<ul style="list-style-type: none"><li>5% deduction on intensity of electricity consumption (as well as greenhouse gas emission) for electrical and mechanical, pharmaceutical and utilities (water) segment and steam consumption (as well as greenhouse gas emission) for utilities (heat and thermal power) segment per revenue in RMB'000 by 2025 as compared with FY2019</li></ul>	<ul style="list-style-type: none"><li>Intensity of electricity consumption: Achieved – 3.4% reduction compared to FY2019 baseline</li><li>Intensity of steam consumption: Achieved – 19.7% reduction compared to FY2019 baseline</li></ul>
<ul style="list-style-type: none"><li>5% deduction on intensity of water consumption per revenue in RMB'000 by 2025 as compared with FY2019</li></ul>	<ul style="list-style-type: none"><li>Achieved – 23.5% reduction compared to FY2019 baseline</li></ul>

# Environmental, Social and Governance Report

The Group will review its existing climate-related targets in FY2026 to ensure they better reflect current business and operational realities, while remaining aligned with our long-term sustainability commitment.

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

## Enterprise Risk Governance

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

The Group has established and implemented a clear Enterprise Risk Management (ERM) framework with defined levels of responsibility and reporting lines to identify, evaluate and manage significant risks, including ESG and climate-related risks.

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

Acknowledging the significant impact of ESG factors on long term resilience, the Group has incorporated ESG risk considerations into its ERM framework and daily operations. In 2025, the Group has further enhanced its risk assessment framework by integrating climate-related risks, including physical and transition risks, into the annual risk assessment process. Details of the climate-related risk assessment approach and results can be found in the ‘Climate-related Strategy’ section of this Report.

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

## Materiality Assessment

The Group recognises the importance of stakeholder participation to the long-term success of our business. If we are going to ride the wave of transitions and sustain our business in long-term, we have to understand, prioritise and align the interests and concerns of our key stakeholders in different ESG issues to our corporate strategies. We have established various communication channels to reach out to different stakeholders to collect their points of views and concerns, including those related to ESG issues of the Group. In addition, the Group has specifically invited employees, shareholders, services providers, and one of the associated companies to participate in a materiality assessment survey during the Reporting Period.

# Environmental, Social and Governance Report

## Internal Stakeholders

Key Stakeholder Groups	Engagement Channels	Main Concerns for Tianjin Development
Employees	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> <li>• Trainings</li> <li>• Workshops</li> <li>• Employee activities</li> </ul>	Career development, workplace safety, and job satisfaction
Associated Company	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Financial performance, ESG initiatives, and transparency

## External Stakeholders

Key Stakeholder Groups	Engagement Channels	Main Concerns for Tianjin Development
Clients	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Collaboration and operational efficiency
Investors/Stockholders	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communication</li> <li>• Annual General Meeting</li> <li>• Annual and Interim Reports</li> </ul>	Product quality, service reliability, and customer support
Suppliers	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Fair procurement practices and long-term partnerships
Business Partners	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Strategic collaboration and mutual growth
Government	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Regulatory compliance and local economic development
Social Groups and Public	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Voluntary activities</li> <li>• Sponsorships</li> <li>• Donations</li> </ul>	Environmental protection and community welfare
Services Providers	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone communications</li> <li>• Meetings</li> </ul>	Service quality and timely payments

# Environmental, Social and Governance Report

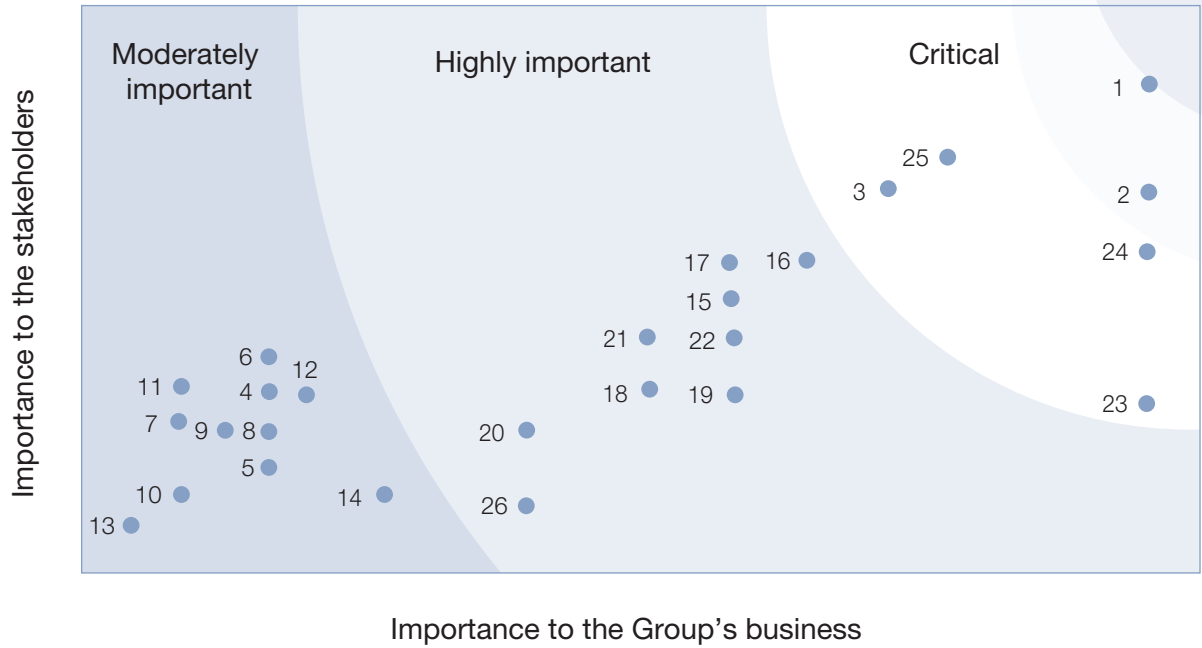
Through our established engagement channels, we have reviewed the feedback from our stakeholders, identified relevant ESG issues and mapped out the prioritisation which enabled us to better understand the expectations of all stakeholders<sup>2</sup> so as to identify important ESG topics of the Group. The table below highlights the ESG issues which are determined to be material to the Group covered in this report:

<b>HKEx ESG Code reference</b>	<b>Material ESG issues</b>	<b>Level of importance</b>
<b>General</b>		
	1. Compliance with relevant laws and regulations	Critical
	2. Risk management	Critical
	3. Corporate governance	Critical
<b>Climate-related disclosures</b>		
Climate-related disclosures	4. Climate change mitigation	Moderately important
<b>A. Environmental</b>		
A1. Emissions	5. Air emissions and water discharge	Moderately important
	6. Greenhouse gas emissions	Moderately important
	7. Waste management	Moderately important
A2. Use of resources	8. Energy consumption	Moderately important
	9. Water consumption	Moderately important
	10. Clean water source	Moderately important
	11. Packaging materials	Moderately important
A3. The environmental and natural resources	12. Environmental impact management	Moderately important
	13. Renewable energy usage	Moderately important
	14. Innovation and technology application	Moderately important
<b>B. Social</b>		
B1. Employment	15. Remunerations and benefits	Highly important
	16. Equal opportunity and anti-discrimination	Highly important
B2. Health and safety	17. Workplace health and safety	Highly important
B3. Development and training	18. Employee development and training	Highly important
B4. Labour standards	19. Prevention of child and forced labour	Highly important
B5. Supply chain management	20. Responsible procurement	Highly important
	21. Supply chain resilience	Highly important
B6. Product responsibility	22. Product and service quality	Highly important
	23. Pharmaceutical product safety	Critical
	24. Cybersecurity and privacy protection	Critical
B7. Anti-corruption	25. Anti-corruption and money laundering	Critical
B8. Community investment	26. Community programmes, donation and award	Highly important

<sup>2</sup> The principal subsidiaries of the Group covered in this report are Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("**Water Company**"), Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("**Heat & Power Company**"), Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("**Tianfa Equipment**") and Tianjin Lisheng Pharmaceutical Co., Ltd. ("**Lisheng**").

# Environmental, Social and Governance Report

## Materiality Matrix of Material ESG Issues



# Environmental, Social and Governance Report

## GENERAL

### Compliance with relevant laws and regulations

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

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

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

## A. ENVIRONMENTAL

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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### Awards for FY2025

The Group has consistently upheld its commitment to customers, employees, and the community. By striking a balance between operational excellence and environmental stewardship, we remain dedicated to providing high-quality products and services. With the support of various stakeholders, the Group has earned multiple recognitions during the Reporting Period.



**Awarded by:**

Federation of Hong Kong Industries

**Awards and Honors:**

BOCHK Corporate Low – Carbon Environmental Leadership Awards 2024 Certificate of Low – Carbon Commitment



**Awarded by:**

Federation of Hong Kong Industries

**Awards and Honors:**

BOCHK Corporate Low – Carbon Environmental Leadership Awards 2024 – EcoPartner

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### Climate-related disclosure<sup>3,4</sup>

#### Climate change mitigation<sup>5</sup>

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

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

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

The Group defines short-term as up to 2026, medium-term as up to 2030, and long-term as up to 2050.

During the Reporting Period, the Group identified the following climate-related risks and opportunity<sup>6</sup>:

#### # Time horizon rationale:

Short term (2026): As the short-term baseline year, focus on addressing immediate and short-term climate risks, while integrating mitigation and adaptation measures into existing planning, operations, and capital allocation processes to enhance overall operational resilience.

Medium term (2030): As the medium-term milestone, systematically assess transition risks and opportunities, emission trajectories, supply chain resilience, and operational performance.

Long term (2050): As the long-term development goal, focus on corporate strategic resilience, asset allocation, and long-term investment decisions to strengthen our sustainable value creation and risk management capabilities.

<sup>3</sup> Due to challenges and resource limitation in conducting a reliable and meaningful climate-related scenario analysis at this time, we have applied the Reasonable Information Relief and Capabilities Relief and will not provide such disclosures in this report.

<sup>4</sup> Due to challenges in obtaining or disclosing reliable cross-industry metrics at this time, we have applied the Reasonable Information Relief and will not provide such disclosures in this report.

<sup>5</sup> We currently do not have a climate-related transition plan. Nonetheless, we will continue to closely monitor progress against our environmental objectives, with an ongoing focus on reducing carbon emissions, improving energy and water efficiency, and minimizing waste generation across our operations. We will explore the feasibility of implementing a climate transition plan in the future.

<sup>6</sup> Due to challenges in obtaining reliable quantitative information regarding the current or anticipated financial effects of climate-related risks and opportunities, the Company has applied the Reasonable Information Relief and Capabilities Relief and will not provide such quantitative disclosures in this Report.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### Climate-related disclosure (Continued)

#### Climate change mitigation (Continued)

**Type of risks:** Physical risks - Acute risk  
**Climate related risks:** Extreme high temperatures

---

**Description:** High-temperature weather and heatwaves in Tianjin have become increasingly frequent, adversely affecting pharmaceutical production (including strictly temperature-controlled cleanrooms, cold-chain storage, and raw material stability), electromechanical equipment (such as overheating of precision instruments, transformers, and control systems), and public utilities (cooling systems in water treatment plants, district heating networks, and power substation loads).

**Time Horizon#:** Short-, Medium- and Long-term (2026, 2030 and 2050)

**Time Horizon Reference:** Acute physical risks associated with high temperatures are assessed across short-term, medium-term, and long-term time frames. This approach simultaneously addresses the need for immediate response capabilities and the requirements for ongoing adaptation. Such a time horizon design strengthens preparedness for sudden extreme weather events while promoting the development of long-term resilience and adaptation strategies across all operational areas.

**Potential Impacts:**

- Increased electricity consumption and higher maintenance costs for air-conditioning and cooling systems in pharmaceutical and electromechanical facilities.
- Elevated environmental control costs during production, storage, and transportation due to high temperatures, resulting in greater risk of product degradation, failure, or spoilage.
- Additional cooling requirements for water supply and district heating facilities, leading to higher operational expenses.
- Heat-related illnesses among employees and necessary schedule adjustments, increasing labour and medical costs.

---

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### Climate-related disclosure (Continued)

#### Climate change mitigation (Continued)

**Type of risks:** Transition risks - Policy and legal risk

**Climate related risk:** Stringent carbon emission policies

---

**Description:** Governments and regulatory authorities are increasingly strengthening guidance on carbon peaking and carbon neutrality, alongside more rigorous climate-related disclosure requirements, accelerating pathways to net-zero emissions – for example, by mandating more comprehensive greenhouse gas emissions data, carbon footprint assessments, and decarbonisation targets from companies.

**Time Horizon#:** Medium- and long-term (2030 and 2050)

**Time Horizon Reference:** Policy and legal risks are predominantly medium- to long-term in nature, reflecting the gradual evolution of regulatory frameworks and policy directions. This time horizon enables proactive anticipation and response to emerging regulations and policy shifts, aligning with the broader transition toward sustainable development goals across economies.

**Potential Impacts:**

- To comply with enhanced disclosure requirements, the Group must invest in carbon emissions management systems, external verification, and carbon audit advisory services, resulting in increased compliance and operational costs.
- The Group may face potential fines or a decline in market trust, which could damage brand reputation and weaken financing capabilities.
- Rising costs from carbon taxes, carbon trading schemes, or emission allowances will further increase routine operating expenses.

---

## A. ENVIRONMENTAL (Continued)

### Climate-related disclosure (Continued)

#### Climate change mitigation (Continued)

#### **Type of opportunities: Energy efficiency enhancement in public utilities and electromechanical systems**

---

**Description:** As energy price volatility intensifies and national carbon peaking and carbon neutrality policies continue to advance, significant potential exists for improving energy efficiency in public utilities (water supply and district heating) and the electromechanical sector. By implementing measures such as upgrading high-efficiency pump sets, variable frequency control, intelligent district heating network scheduling, waste heat recovery, and transformer energy efficiency retrofits, the Group can effectively lower energy consumption per unit of output while enhancing facility stability and service reliability. This not only helps mitigate future carbon tax burdens and rising energy costs but also provides more stable low-carbon energy support for pharmaceutical production, public utilities and electromechanical sector, which further strengthening the Group's competitive edge and sustainable development image in the public utilities sector.

**Time Horizon#:** Short-, Medium- and Long-term (2026, 2030 and 2050)

**Time Horizon Reference:** Energy efficiency enhancement represents a short- to long-term opportunity. Through the adoption of high-efficiency technologies and management optimisation, the Group can rapidly reduce energy consumption to address current energy price fluctuations and policy pressures. At the same time, it will advance technological upgrades and system integration to continuously improve energy efficiency and progressively align with the national carbon neutrality goals. In addition, the Group will fully transition to a sustainable development model by optimising energy use, thereby securing long-term competitive advantages and a stable operating environment.

**Potential Impacts:**

- Reduction in energy costs (lower electricity and fuel expenses).
- Lower energy consumption per unit of output, enhancing profitability and resilience against price fluctuations in the public utilities sector.
- Decreased future carbon tax and carbon fee expenditures, access to green finance incentives, and improved long-term asset value and regulatory compliance advantages.

---

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### Climate-related disclosure (Continued)

#### Climate change mitigation (Continued)

#### **Type of opportunities: Low-Carbon Transition – Driving talent attraction and employer brand competitiveness**

---

**Description:** As climate change risks intensify, consumers, governments, and investors increasingly scrutinise corporate environmental performance. Employees and job seekers are also placing greater importance on an organisation's commitments and actions in climate action and sustainable development. By actively advancing low-carbon transformation – such as emission reduction initiatives and circular product lines. The Group not only aligns with industry trends but also strengthens its employer brand, improves talent attraction and retention rates (particularly among younger generations), and establishes a lasting human capital advantage in the highly competitive sector.

**Time Horizon#:** Medium- and long-term (2030 and 2050)

**Time Horizon Reference:** Compliance with labour standards and human capital management represent medium- to long-term opportunities. While enhancements to employee rights, health, and well-being can yield visible short-term results, building robust human capital and sustained organisational resilience requires persistent investment and cultural embedding. As policies mature and trust foundations strengthen, these measures will evolve into key advantages for attracting, developing, and retaining talent, while reinforcing our leadership in social responsibility and sustainable governance.

**Potential Impacts:**

- A stronger green employer brand improves recruitment success rates for high-calibre talent and reduces hiring costs.
- Higher talent retention rates lower turnover-related training and replacement expenses.
- Green operations training enhances energy efficiency in warehouses, contributing to reduced operating costs.

---

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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1 Emissions

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

We have taken into consideration the environmental sustainability into our business processes<sup>7</sup>. Internal policies and procedures have been established to provide guidelines on the monitoring of our air emissions and water discharge, as well as on our waste handling processes. We have also dedicated teams to monitor our environmental performance regularly, and corresponding controls have been implemented on high consumption areas.

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

#### Air emissions and wastewater discharge

Statistics of our material air emissions and water discharge during the Reporting Period together with the comparative figures for the corresponding year in FY2024 are summarised as follows:

<b>Major type of emissions</b>	<b>FY2025 Total (Tonnes)</b>	<b>FY2024 Total (Tonnes)</b>
Nitrogen Dioxide (NO <sub>2</sub> )	<b>0.87</b>	0.71
Sulphur Dioxide (SO <sub>2</sub> )	<b>0.45</b>	0.41
Wastewater	<b>214,487.27</b>	240,272.72

<b>Air emissions and wastewater discharge</b>	<b>FY2025 Total</b>	<b>FY2024 Total</b>
Total (Tonnes)	<b>214,488.59</b>	240,273.84
Intensity (per revenue in RMB'000)	<b>0.12</b>	0.14

In the Reporting Period, the Group has placed strong emphasis on water conservation, resulting in a reduction in wastewater discharge.

<sup>7</sup> We have not yet factored a carbon price into our decision-making processes. We will explore the feasibility of establishing an internal carbon pricing mechanism where appropriate.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1 Emissions (Continued)

#### Air emissions and wastewater discharge (Continued)

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

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

- Installing enclosed shot-blasting equipment (噴丸密閉設備) and fiberglass filter cotton (玻璃纖維過濾棉) with activated carbon to filter emissions generated from our operations.
- Collecting welding fumes generated from factories by gas-collecting hood (集氣罩) to reduce the amount of dust emissions in the air.
- Installing fume purification facilities in the canteen.
- Putting water treatment facilities in place and engaging licensed contractors to collect and handle the sewage from operations.
- Adopting thickening process to reduce water composition in sewage and wastewater discharge, and improving water efficiency by reusing the effluent.
- Monitoring and adjusting the use of chemical dosage to enhance sedimentation during water purification process continuously.
- Establishing COD online monitoring system to ensure that the COD level meets the regulatory standards before discharging. The system was interconnected with the government environmental monitoring platform to facilitate real-time data transmission and monitoring.
- Deploying environmentally friendly coal-fired boilers to replace the old ones for reducing the level of both air emission and industrial wastewater discharged.
- Collecting the ultrafiltration concentrated water from the water production station for cooling recirculating cooling water and water refill for water-sealing vacuum pump.
- Turning off lights when not in use.
- Setting temperature of air conditioners at no lower than 26 degrees Celsius in summertime and no higher than 26 degrees Celsius in wintertime.
- Expanding batch production on the basis of quality assurance and compliance to save energy.
- Installing purification equipment in stages.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1 Emissions (Continued)

#### Air emissions and wastewater discharge (Continued)

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

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

#### Greenhouse gas emissions

The major source of our carbon emissions is from the energy consumption. There were 451,219.35 tonnes (FY2024: 494,842.76 tonnes) of the operational-related carbon dioxide equivalent (CO<sub>2</sub>e) generated from our operations (Scope 1 & 2) during the Reporting Period. We have implemented various energy-saving initiatives to help reduce our carbon footprint. Please refer to the “Energy Consumption” section below for our energy consumption data and reduction initiatives.

<b>Greenhouse gas emission</b>	<b>FY 2025</b>
Direct emission (Scope 1) (Tonnes)	<b>4,264.52</b>
Indirect emission (Scope 2) (Tonnes)	<b>446,954.83</b>
Total operational emission (Scope 1 and 2) (Tonnes)	<b>451,219.35</b>
Operational emission intensity (per revenue in RMB'000)	<b>0.1689</b>
Other Indirect (Scope 3) Emissions (Tonnes)	<b>21,658.74</b>
Total GHG emission (Scope 1, 2 and 3) (Tonnes)	<b>472,878.09</b>

Notes:

- The carbon emissions are calculated with reference to the “Greenhouse Gas Protocol” published by the World Business Council for Sustainable Development and the World Resources Institute, the “Environmental Key Performance Indicators Reporting Guide” of HKEx, the “Baseline Emission Factors for Regional Power Grids of China” published by the Ministry of Ecology and Environment of China and “The UK Government Conversion Factors for greenhouse gas reporting” published by the Department for Environment, Food & Rural Affairs of the United Kingdom. Heat & Power Company did not contribute to any direct emission (scope 1) due to the business operation nature.
- Scope 3 emissions boundary includes Category 1 Purchased Goods and Services, Category 5 Waste Generated in Operations, Category 9 Downstream Transportation and Distribution, and Category 12 End-of-Life Treatment of Sold Products.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1 Emissions (Continued)

#### Waste management

The major types of industrial waste for the Group are the commercial waste produced from the manufacturing processes of our electrical and mechanical segment and solid waste, including commercial waste and industrial waste, generated from our pharmaceutical segment. The total amount of non-hazardous waste produced by the above-mentioned segments was 880.09 tonnes (FY2024: 748.28 tonnes)<sup>8</sup> during the Reporting Period. The increment in the Reporting Period is primarily due to a higher number of projects and a greater proportion of scrap steel plates generated from in-house cutting. These steel plates are significantly heavier than the iron shavings, which constituted the majority of waste materials in FY2024.

<b>Non-hazardous waste in FY2025</b>	<b>Consumption (in tonnes)</b>	<b>Intensity (per revenue in RMB'000)</b>
Total	<b>880.09</b>	<b>0.00058</b>

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

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

The utilities, electrical and mechanical and pharmaceutical segments had generated hazardous waste during their operations, which included used oil, scrap mica, oily waste, organic waste, toxic waste carbon and scraped drugs. During the Reporting Period, the total amount of hazardous waste produced by the above-mentioned segments was 354.25 tonnes (FY2024: 374.15 tonnes)<sup>9</sup>.

<b>Total hazardous waste</b>	<b>FY2025 Total</b>
Total (Tonnes)	<b>354.25</b>
Intensity (per revenue in RMB'000)	<b>0.00023</b>

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

<sup>8</sup> To ensure alignment with the GHG Protocol's established calculation methodology, the non-hazardous waste data for the previous reporting period has been restated.

<sup>9</sup> To ensure alignment with the GHG Protocol's established calculation methodology, the hazardous waste data for the previous reporting period has been restated.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1 Emissions (Continued)

#### Waste management (Continued)

In order to achieve our target on reducing the amount of waste generated, solid waste collection points have been established to centralise the storage of solid waste so as to avoid pollution. Recyclable solid wastes have been collected and recycled by designated departments. All hazardous wastes have been collected and handled by licensed service providers during the Reporting Period.

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

### A2 Use of Resources

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

#### Energy consumption

Statistics of our consumption of the direct and indirect energy during the Reporting Period together with the comparative figures for FY2024 are shown as below:

Type	Consumption		Intensity (per revenue in RMB'000)	
	FY2025	FY2024	FY2025	FY2024
Petrol (Tonnes)	<b>35.36</b>	40.05	<b>0.000020</b>	0.000023
Diesel (Tonnes)	<b>5.60</b>	10.06	<b>0.000003</b>	0.000001
Natural gas (m <sup>3</sup> )	<b>1,992,836.06</b>	2,316,407.77	<b>1.13</b>	1.33
Electricity (kWh)	<b>43,946,848.00</b>	44,308,986.82	<b>16.45</b>	16.12
Heat (GJ)	<b>4,625.88</b>	4,625.88	<b>0.018</b>	0.019
Steam (Tonnes)	<b>3,064,252.71</b>	3,341,729.08	<b>1.33</b>	1.43

Note: The above statistics cover the major types of energy consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng in FY2025.

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

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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2 Use of Resources (Continued)

#### Energy consumption (Continued)

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

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

## A. ENVIRONMENTAL (Continued)

### A2 Use of Resources (Continued)

#### Energy consumption (Continued)

- Revamping energy management system in order to enhance data analytics function and early warning system to reduce energy consumption.
- Redesigning indoor heating system by reusing hot water generated during the production process to extract thermal energy, thereby powering the indoor heating system.
- Replacing lampposts with solar-powered lights.

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

#### Water consumption and clean water source

During the Reporting Period, the aggregate amount of water consumed by Water Company, Heat & Power Company, Tianfa Equipment and Lisheng was 1,647,845.54 tonnes, with an intensity of 0.62 tonnes per revenue (RMB'000) (FY2024 Consumption: 1,598,922.00 tonnes; FY2024 Intensity: 0.58 tonnes per revenue (RMB'000)).

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

- Recycling and reusing the wastewater for lawn irrigation and flushing water.
- Implementing water circulation systems across the manufacturing process to reduce the consumption of steam, which is expected to save up to 2,500 tonnes of steam annually.
- Installing water efficient devices.
- Carrying out periodic inspection and replacement on water pipes to prevent leakages.
- Replacing wet cooling tower from open circuit to closed to reduce the consumption of water during circulation.
- Replacing old pipe network with leakage.
- Recovering and utilising steam condensate.
- Installing water cycle equipment in stages.
- Strengthening energy inspections, regularly analysing energy consumption, and finding and solving problems in a timely manner.
- Strengthening the management of energy use, checking whether there is any abuse of energy use points, promptly stopping and holding relevant personnel accountable.
- Strengthening energy technology transformation and improving both the quantity and quality of energy-saving projects.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2 Use of Resources (Continued)

#### Water consumption and clean water source (Continued)

- Implementing the raw material vacuum pump cooling water recycling project to reduce tap water discharge by approximately 24 tonnes per day during operation.
- Establishing a scientific recycling system for concentrated water from the purification process for watering and maintaining greenery and trees.

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

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

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

The Group has consistently adhered to the concept of green development, placing great emphasis on the rational use and efficient management of water resources. Throughout the entire production process, we have implemented continuous technological upgrades and process improvements.

#### Packaging materials

Lisheng consumes packaging materials for containing and protecting our pharmaceutical products while Tianfa Equipment also consumes a small amount of packaging materials. Despite the fact that using packaging materials is inevitable, we strive to minimise the packaging materials by adopting simple design, as well as using recycled and recyclable materials as possible. We have also set up consumption quotas for each type of packaging materials, allowing us to closely monitor and evaluate the usage of packaging materials at the end of every production month. During the Reporting Period, our total packaging materials used for protecting pharmaceutical products by Lisheng was 3,067.85 tonnes (FY2024: 2,959.79 tonnes)<sup>10</sup>.

<sup>10</sup> To ensure alignment with the GHG Protocol's established calculation methodology, the packaging materials data for the previous reporting period has been restated.

## A. ENVIRONMENTAL (Continued)

### A3 The Environmental and Natural Resources

#### Environmental impact management

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

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

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

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

#### Renewable energy usage

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

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

#### Innovation and technology application

During the Reporting Period, the Group strengthened its sustainability performance by leveraging innovation and technology to reduce environmental impact and improve resource efficiency. Ultrafiltration and wastewater reuse systems were implemented to lower discharge volumes, delivering notable water savings. Air emissions were curtailed through advanced equipment and cleaner energy solutions, while compliance was reinforced with an online COD monitoring system connected to government platforms for real-time oversight. We also optimised chemical dosing and sewage treatment processes, and adopted advanced water and energy management technologies, including recycling equipment, leak prevention measures, and renewable energy initiatives.

Looking ahead, the Group remains committed to advancing innovation and technology applications to drive sustainable growth.

# Environmental, Social and Governance Report

## B. SOCIAL

### B1 Employment

#### Remuneration and benefits

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

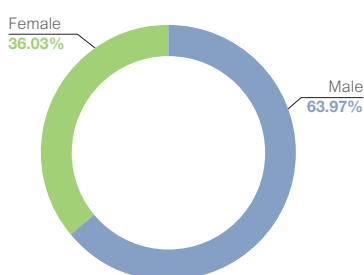
#### Equal opportunity and anti-discrimination

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

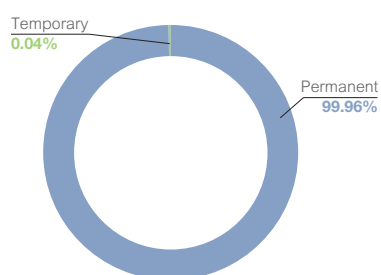
There were no material non-compliance issues noted regarding our labour practices during the Reporting Period. By the end of FY2025, the Group’s principal operating segments have a total workforce of 2,570 employees (FY2024: 2,499 employees) based in Northern China region with a turnover rate of around 4.92% (FY2024: 5.70%).

#### Employee Profile

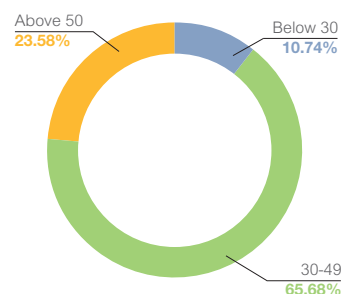
##### By gender



##### By employee type



##### By age group



#### Employee Profile

##### By gender

	FY2025	FY2024
Male	1,644	1,578
Female	926	921

##### By employee type

	FY2025	FY2024
Permanent	2,569	2,498
Temporary	1	1

##### By age group

	FY2025	FY2024
Below 30	276	283
30-49	1,688	1,699
Above 50	606	517

# Environmental, Social and Governance Report

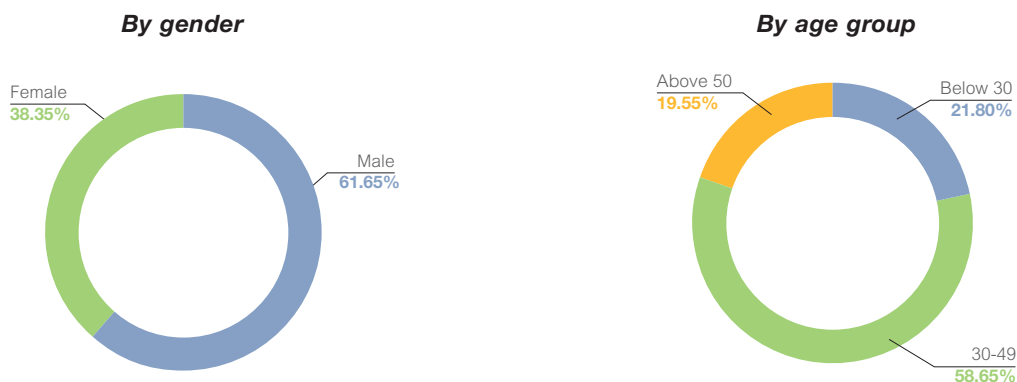
## B. SOCIAL (Continued)

### B1 Employment (Continued)

#### Equal opportunity and anti-discrimination (Continued)

New Employees Hired	FY2025	FY2024
<b>By gender</b>		
Male	114	135
Female	64	95
<b>By age group</b>		
Below 30	84	94
30-49	81	129
Above 50	13	7
<b>By geographical region</b>		
Northern China	112	129
Northeast China	0	1
Eastern China	2	47
Central China	0	32
Northwest China	0	3
Southern China	64	18

#### Composition of turnover



#### Turnover Rate

Reporting Year	By gender		By age group		
	Male	Female	Below 30	30-49	Above 50
<b>FY2025</b>	<b>4.99%</b>	<b>5.51%</b>	<b>10.51%</b>	<b>4.62%</b>	<b>4.29%</b>
FY2024	5.58%	6.84%	9.19%	5.18%	7.16%

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1 Employment (Continued)

#### Talent management

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

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

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

The Group is dedicated to creating a warm and fulfilling work environment, placing a strong emphasis on work-life balance and enriching employees' personal lives to continuously enhance their happiness and satisfaction. The Group demonstrates particular care for female employees and vulnerable groups by organising employee activities and providing assistance to those in need, showcasing its deep commitment and support for our workforce. We strive to be a reliable and trustworthy pillar for our employees.

To better understand employee needs and gather feedback on their work experience, the Group regularly conducts employee satisfaction surveys, collects suggestions, and formulates improvement plans to optimise the work environment and enhance job satisfaction.

### B2 Health and Safety

#### Workplace health and safety

The Group adheres to the concept of "people first, life first" and firmly establishes the awareness that "the safety of people's lives is always the first priority". We prioritised building a robust health enterprise while deepening state-owned enterprise reforms. Adhering to a "people first, life paramount" spirits, we maintained a stable safety production, reflecting a commitment to safety and duty.

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

## B. SOCIAL (Continued)

### B2 Health and Safety (Continued)

#### Workplace health and safety (Continued)

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

There were 509 and 750 lost days due to work injury during the Reporting Period and FY2024 respectively. No work-related fatalities are recorded during the Reporting Period, FY2024 and FY2023. An incident working group will be immediately established to conduct a thorough review into the incident and formal report will be made to inform the relevant authorities once the accident happened. The working group also brought forward some recommendations to prevent similar incidents from happening in the future.

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

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

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

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

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B3 Development and Training

#### Employee development and training

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

During the Reporting Period, the Group has provided 91,884 hours (FY2024: 68,894 hours) of training to 2,456 employees (FY2024: 2,158 employees). The Group strengthened its training efforts in key areas, including the dissemination and implementation of internal control systems, management of narcotic drugs, and online training programmes for mid-level personnel. Consequently, total training hours increased compared to FY2024. The Group will offer more diverse and specialised training to all employees in the foreseeable future. Statistics in relation to development and training in FY2025 are as shown below:

	Percentage of employees trained		Average training hours completed per employee	
	FY2025	FY2024	FY2025	FY2024
<b>Overall training proportion</b>				
Per total employee number	<b>95.56%</b>	86.35%	<b>35.75</b>	27.57
<b>By gender</b>				
Male	<b>56.27%</b>	59.73%	<b>32.99</b>	20.45
Female	<b>43.73%</b>	40.27%	<b>40.66</b>	39.76
<b>By employee category</b>				
General staff	<b>90.55%</b>	88.83%	<b>35.30</b>	26.78
Middle management	<b>7.90%</b>	9.18%	<b>40.03</b>	33.11
Senior management	<b>1.55%</b>	1.99%	<b>41.45</b>	39.55

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B4 Labour Standards

#### Prevention of child and forced labour

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

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

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

### B5 Supply Chain Management

#### Responsible procurement and supply chain resilience

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

Number of suppliers by region	FY 2025	FY 2024
Northern China	372	453
Northeast China	72	56
Eastern China	304	175
Southern China	56	49
Southwest China	18	10
Northwest China	16	7

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

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B6 Product Responsibility

#### Product and service quality

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

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

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

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

#### Pharmaceutical product safety

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

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

## B. SOCIAL (Continued)

### B6 Product Responsibility (Continued)

#### Cybersecurity and privacy protection

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

The Group maintains a robust governance framework for information security and network management across all operations. A comprehensive disclosure management system ensures that all corporate disclosures are accurate, timely, lawful, and transparent, effectively preventing insider trading and preserving stakeholder trust. This system is complemented by a stringent information security management framework that safeguards the confidentiality, integrity, and availability of digital data. The General Manager’s Office oversees the implementation of related policies and practices, supported by strict password protocols, regular data backups, and full adherence to legal standards and national guidelines, thereby ensuring network stability and minimising potential disruptions.

Key supporting policies include data security management, IT emergency management, and endpoint management, covering physical environments, networks, applications, and personnel. Strict password protocols, regular data backups, and tiered emergency response mechanisms further strengthen the Group’s defenses. In addition, the Group has established dedicated IT-related business continuity plans to address potential utility disruptions, data recovery, and system failover, ensuring operational resilience in the event of information security incidents or emergencies. In addition, Lisheng has established a robust Information Security Management System in accordance with ISO 27001:2013 standards, which emphasises the confidentiality, integrity, and authenticity of digital data.

IT risks are managed through a comprehensive framework that includes regular vulnerability assessments, patch management, access control, and ongoing monitoring of network and system security. The Group maintains a set of formal IT policies covering network security, data protection, system change management, and user access rights.

### B7 Anti-corruption

#### Anti-corruption and money laundering

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

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

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B8 Community Investment

#### Community programmes, donation and award

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

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

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

## CORPORATE CULTURE

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

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best corporate governance practices. This Corporate Governance Report describes the way the Company has applied the principles of the Corporate Governance Code\* (the “**CG Code**”) as set out in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Throughout the year, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision C.5.1 of the CG Code, which stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2025, three regular board meetings were held to consider and approve, among other things, the final results and the interim results of the Group. In order to timely and efficiently deal with the Company’s affairs, certain Board approvals were obtained through the circulation of written resolutions as permitted under the articles of association of the Company (the “**Articles of Association**”). No matter where any substantial shareholder or director had a conflict of interest which the Board considered to be material was dealt with by way of written resolution. The management has also regularly updated the Board on the Group’s key financial and operating performance by electronic means (for example, emails and WeChat groups). As such, the Board considers that sufficient measures have been taken to ensure that there is efficient communication among the directors, enabling the directors to make an informed decision and perform their duties and responsibilities.

The Board will continue to develop, monitor and review the Company’s corporate governance practices and procedures and make necessary changes when it considers appropriate.

## BOARD OF DIRECTORS

The overall management of the Company is vested in the Board. The executive directors are responsible for the day-to-day management of the Company’s businesses and conducting regular meetings with the senior management of the Company. The Board focuses its attention on matters affecting the Company’s strategic policies which include future growth and development, financial statements, dividend policy, annual budget, significant changes in accounting policy, major financing arrangements and investments, risk management strategies and treasury policies. The abovementioned matters are monitored and approved by the Board and decisions relating to such matters are made by the Board. The management is responsible for the daily operations and administration of the Company. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the Board.

\* The amendments to the CG Code effective on 1 July 2025 will apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025. For this annual report, the Company shall refer to the then effective CG Code.

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

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

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

The Company has established the mechanisms below to ensure independent views and input are available to the Board:

- the Board shall ensure the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors;
- No equity-based remuneration with performance-related elements will be granted to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence; and
- the Board and its committees may seek independent professional advice at the Company's expense on matter in connection with the discharge of their duties and responsibilities.

## Board Composition

As at 31 December 2025, the Board consists of eight members, comprising three executive directors, being Mr. Teng Fei (*Chairman*), Dr. Zhai Xinxiang (*General Manager*) and Mr. Xia Binhui, one non-executive director, being Mr. Sun Lijun and four independent non-executive directors, being Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick.

Coming from different professional backgrounds, all directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. The non-executive directors have brought their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The independent non-executive directors contribute by ensuring that the interests of all shareholders of the Company are taken into account by the Board. Each director had ensured that he/she had given sufficient time and attention to the affairs of the Company for the year. All directors have disclosed to the Company the nature of offices held in Hong Kong or overseas listed public companies and other significant commitments, with the identity of the public companies and organisations. The biographical details of each director are disclosed on pages 15 to 18 of this Annual Report.

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

## Board Composition (Continued)

Each of the directors entered into a letter of appointment with the Company, appointment of executive directors may be terminated by three months' notice in writing served by either party while appointment of non-executive directors and independent non-executive directors may be terminated by one months' notice in writing served by either party. All directors have no specific term of service but are subject to retirement by rotation and re-election at the annual general meeting at least once every three years according to the Articles of Association.

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

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

## Chairman and General Manager

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

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

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

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

# Corporate Governance Report

## Board Responsibilities

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

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

The Board is responsible for performing the corporate governance duties and has adopted a set of corporate governance guidelines with reference to the CG Code. Full text of the guidelines is available on the Company's website. The major work performed by the Board during the year ended 31 December 2025 included reviewing and, where applicable, approving the following matters:

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

## Practices and Conduct of Meetings

All members of the Board meet regularly and have full and timely access to relevant information. All directors are required to declare their interests, if any, in any transaction, or proposal to be considered at Board meetings and to abstain from voting on any related resolutions.

The Articles of Association contain description of responsibilities and operation procedures of the Board.

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

## Practices and Conduct of Meetings (Continued)

During the year, the Company held three Board meetings and also dealt with matters by way of written resolutions. An annual general meeting and an extraordinary general meeting of the Company were held on 19 June 2025 and 13 November 2025 respectively. The attendance records of each member of the Board are set out below:

Name of Director	Length of Tenure	Attended/Eligible to Attend		
		Board Meeting	Annual General Meeting	Extraordinary General Meeting
<b>Executive Directors</b>				
Mr. Teng Fei ( <i>Chairman</i> )	2 years 9 months	1/3	1/1	1/1
Dr. Zhai Xinxiang ( <i>General Manager</i> )	2 years 3 months	3/3	1/1	1/1
Mr. Xia Binhui	1 year 3 months	3/3	0/1	1/1
<b>Non-Executive Director</b>				
Mr. Sun Lijun	2 years 9 months	3/3	1/1	1/1
<b>Independent Non-Executive Directors</b>				
Ms. Ng Yi Kum, Estella	15 years 5 months	3/3	1/1	1/1
Mr. Wong Shiu Hoi, Peter	13 years	3/3	1/1	1/1
Mr. Lau Ka Keung	2 years 9 months	3/3	1/1	1/1
Mr. Sin Hendrick	2 years 9 months	2/3	1/1	1/1

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

# Corporate Governance Report

## Continuous Professional Development

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

Name of Director	Participation in Continuous Professional Development
------------------	--

### Executive Directors

Mr. Teng Fei ( <i>Chairman</i> )	✓
Dr. Zhai Xinxiang ( <i>General Manager</i> )	✓
Mr. Xia Binhui	✓

### Non-Executive Director

Mr. Sun Lijun	✓
---------------	---

### Independent Non-Executive Directors

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

note:

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

## BOARD COMMITTEES

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

### Remuneration Committee

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

## Remuneration Committee (Continued)

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

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

<b>Name of Director</b>	<b>Attended/Eligible to Attend</b>
Mr. Lau Ka Keung ( <i>Chairman</i> )	1/1
Ms. Ng Yi Kum, Estella	1/1
Mr. Teng Fei	0/1

The major work performed by the Remuneration Committee during the year ended 31 December 2025 included reviewing and where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- discretionary bonus for the year 2024 of the Company's directors and senior management; and
- impact to the Company on the abolition of the Mandatory Provident Fund – Long Service Payment offsetting mechanism in Hong Kong.

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

Details of the emoluments of the directors and senior management by band for the year ended 31 December 2025 are set out in Note 10 to the consolidated financial statements.

# Corporate Governance Report

## Audit Committee

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

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

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

The major work performed by the Audit Committee during the year ended 31 December 2025 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- financial statements and continuing connected transactions set out in the annual report;
- interim financial statements set out in the interim report;
- effectiveness of the risk management (including ESG risks) and internal control systems of the Group;
- external auditor's statutory audit plan, letters to the management and 2025 audit fees;
- non-audit services provided by the external auditor; and
- adequacy of resources, staff qualifications and experiences, training programmes and budget of the accounting, internal audit and financial reporting functions of the Company.

## Investment Committee

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

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

## Investment Committee (Continued)

During the year, the Investment Committee held one meeting and also dealt with matters by way of written resolutions. Members of the Investment Committee reviewed and considered the formation of Tianjin Jiansheng Guoxin TEDA Equity Investment Fund Partnership (Limited Partnership) (天津建生國鑫泰達股權投資基金合夥企業(有限合夥)) and the subscription of wealth management products. Details of the transactions were disclosed in the Company's announcements dated 11 June 2025, 19 June 2025, 22 August 2025, 10 September 2025, 11 November 2025, 19 November 2025 and 24 December 2025, and the Company's circular dated 17 October 2025. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Mr. Sin Hendrick ( <i>Chairman</i> )	1/1
Mr. Wong Shiu Hoi, Peter	1/1
Mr. Teng Fei	0/1

## Nomination Committee

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

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

During the year, the Nomination Committee held one meeting. The attendance of committee members is recorded below:

Name of Director	Attended/Eligible to Attend
Mr. Teng Fei ( <i>Chairman</i> )	0/1
Ms. Ng Yi Kum, Estella	1/1
Mr. Lau Ka Keung	1/1
Mr. Sin Hendrick	1/1

# Corporate Governance Report

## Nomination Committee (Continued)

The major work performed by the Nomination Committee during the year ended 31 December 2025 included reviewing and, where applicable, making recommendations to the Board on and approving the following matters, in accordance with its responsibilities and authorities:

- eligibility of the directors seeking for re-election at the annual general meeting;
- independence of the independent non-executive directors;
- structure, size and composition (including skills, knowledge, experience and diversity) of the Board; and
- implementation and effectiveness of the board diversity policy.

## Nomination Policy

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

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

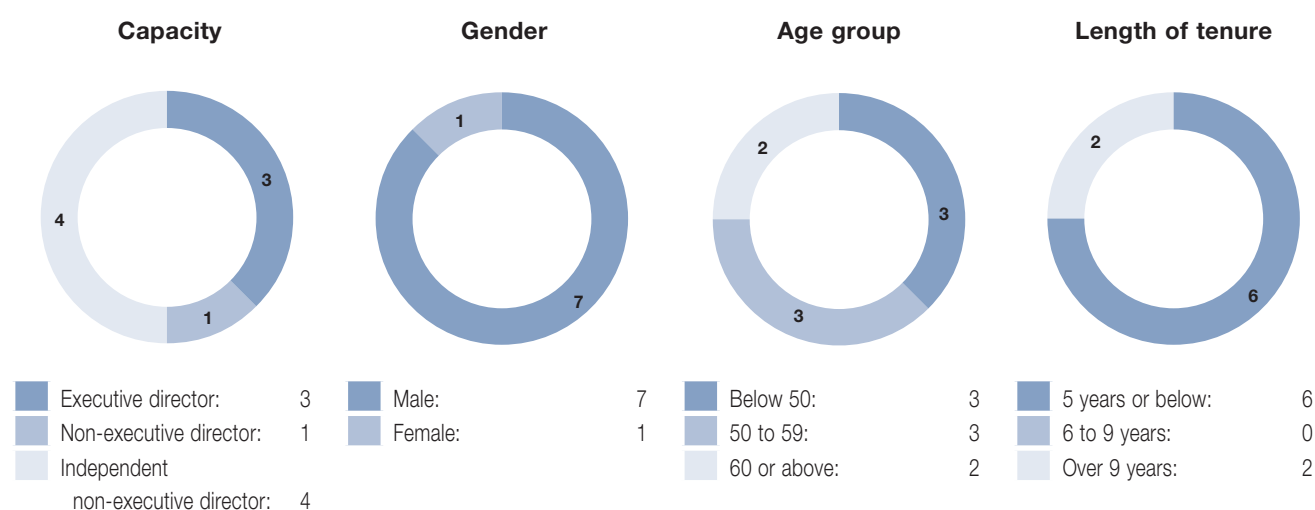
Directors who are appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then be eligible for re-election. At each annual general meeting, one-third of the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

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

## Board Diversity Policy

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

As 31 December 2025, the Board's composition under diversified perspectives is summarised as follows:



The table below shows the relevant skills and expertise of each Board members:

Name of Director	Executive leadership & strategy	Business management	Risk management/ Compliance	Financial investment & Banking	Legal/ Accounting professional	Technology & Innovation
<b>Executive Directors</b>						
Mr. Teng Fei	✓	✓	✓	✓		
Dr. Zhai Xinxiang	✓	✓	✓	✓		
Mr. Xia Binhui		✓	✓		✓	
<b>Non-Executive Director</b>						
Mr. Sun Lijun		✓	✓		✓	
<b>Independent Non-Executive Directors</b>						
Ms. Ng Yi Kum, Estella	✓	✓	✓	✓	✓	
Mr. Wong Shiu Hoi, Peter	✓	✓	✓	✓		
Mr. Lau Ka Keung	✓	✓	✓			✓
Mr. Sin Hendrick	✓	✓	✓	✓		✓

# Corporate Governance Report

## Board Diversity Policy (Continued)

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

As at 31 December 2025, the Group had a total of approximately 2,796 employees (including senior management) and the ratio of male to female employees was around 2:1. The Group consistently implements the management ideology of a “fairness and impartially, suitability for the job” during its recruitment process, and promotes “recommending talents and avoiding relations” as a principle for recruitment, so as to ensure that every applicant has an equal opportunity, and that talents are competing in a fair environment.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2025.

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

## COMPANY SECRETARY

Ms. Lee Su Yee, Bonnia is the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman and the General Manager on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among directors and the management.

The biographical details of the Company Secretary are set out in the section headed “*Biographical Details of Directors and Senior Management*” of this Annual Report. During the year ended 31 December 2025, the Company Secretary had taken more than 15 hours of relevant professional training for the year ended 31 December 2025 and complied with the requirement under Rule 3.29 of the Listing Rules.

## EXTERNAL AUDITOR

Deloitte Touche Tohmatsu (“**Deloitte**”) has been appointed as independent auditors of the Group. The Audit Committee has reviewed Deloitte's proposal in respect of their scope of work and fees for the audit of 2025. Deloitte has carried out statutory audit in relation to the Company's financial statements prepared under the HKFRS Accounting Standards, Hong Kong Accounting Standards and the Hong Kong Companies Ordinance for the year 2025 and also reviewed the 2025 unaudited interim financial statements of the Company in accordance with the HKFRS Accounting Standards.

During the year, the fees paid and payable to Deloitte in respect of audit services amounted to approximately HK\$4,923,000 and non-audit services in relation to interim review, consultancy and advisory services amounted to approximately HK\$3,916,000.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

- Risk Response: Risk owners are assigned to each of the risk who are responsible for formulating the risk mitigation plans.
- Risk Monitoring: Risk owners are responsible for monitoring the implementation and effectiveness of the risks mitigation plans.

Acknowledging the significant impact of ESG factors on long term resilience, the Group has incorporated ESG risk considerations into its ERM framework and daily operations. In 2025, the Group has further enhanced its risk assessment framework by integrating climate-related risks, including physical and transition risks, into the annual risk assessment process. Details of the climate-related risk assessment approach and results can be found in the “Climate-related Strategy” section of the ESG Report.

The risk management report prepared by the External Advisor and the internal audit reports prepared by Acclime Consulting in accordance with the risk-based internal audit plan for the year 2025 have been reviewed and discussed at the Audit Committee meetings held on 20 August 2025 and 20 March 2026, respectively. The Board together with the senior management have respectively on 28 August 2025 and 30 March 2026, reviewed, considered and discussed all the findings in relation to the risk management and internal control systems and recommendations thereto, and have concluded that the overall risk management and internal control systems of the Group have been effectively exercised and no material control failure or significant areas of concern which might affect shareholders’ interest were identified during the reviews.

## GOING CONCERN

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

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

The general meetings provide a useful forum for the shareholders of the Company to express their views and comments and the shareholders are encouraged to attend the general meetings of the Company to exchange views with the Board. For the year ended 31 December 2025, the respective chairman of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee, as well as the external auditor of the Company had attended the annual general meeting of the Company held on 19 June 2025 to answer questions from the shareholders. All members of independent board committee and the independent financial advisor had attended the extraordinary general meeting of the Company held on 13 November 2025 to approve a discloseable and connection transaction. Detailed procedures for conducting a poll have been explained by the chairman during the meetings.

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

(Continued)

The Company also holds analysts' briefings and investor meetings/calls after the announcement of its financial results. Designated senior management maintains regular dialogue with institutional investors, financial media and analysts to keep them abreast of the Company's development.

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

### Procedures for Convening Extraordinary General Meeting on Requisition

Pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders holding at the date of the deposit of the requisition at least 5% of the total voting rights of all shareholders having a right to vote at general meetings, may request the Company to convene an extraordinary general meeting ("EGM"). The request: (i) must state the general nature of the business to be dealt with at the EGM; (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the EGM; (iii) may consist of several documents in like form; (iv) may be sent to the Company in hard copy form at the registered office of the Company, or in electronic form via email at ir@tianjindev.com; and (v) must be authenticated by the person or persons making it.

If the directors of the Company do not within 21 days after the date on which they become subject to the requirement proceed duly to convene an EGM on a day not more than 28 days after the date of the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall be held not more than 3 months after the date on which the directors of the Company become subject to the requirement.

### Procedures for Putting Forward Proposals at General Meetings

Pursuant to sections 580 and 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders may request the Company to circulate a resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (a) shareholders representing at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates; or (b) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates.

The request: (i) may be sent to the Company in hard copy form at the registered office of the Company, or in electronic form via email at ir@tianjindev.com; (ii) must identify the resolution of which notice is to be given; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company no later than 6 weeks before the annual general meeting to which the request relates, or if later, the time at which notice is given of that annual general meeting.

# Corporate Governance Report

## DIVIDEND POLICY

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

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

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

## WHISTLEBLOWING POLICY

The Board has adopted a whistleblowing policy for handling reports of potential misconduct related to financial reporting, internal controls, or other matters. The whistleblowing policy provides formal channels and guidance for employees of the Group and individuals with business dealings with the Group (such as joint venture partners, contractors, and suppliers) to raise concerns confidentially without fear of retaliation. Relevant persons may report suspected misconduct related to the Group directly to the Audit Committee through the channels set out in therein. The Audit Committee is responsible for overseeing the handling of reported matters and ensuring the completion of investigations and feedback. Full text of the whistleblowing policy is available on the Company's website.

## ANTI-CORRUPTION POLICY

The Board has adopted an anti-corruption policy which provides guidance to all directors and employees of the Group on how to recognise and deal with bribery and corruption. The policy strictly prohibits all forms of bribery and corrupt practices. All directors and employees of the Group are prohibited from soliciting, accepting, or offering bribes or benefits to any individual while conducting the Company's affairs, must avoid conflicts of interest to the greatest extent possible, must not abuse their authority for personal gain, and must perform their duties with integrity, diligence, and in full compliance with all applicable laws and regulations. This anti-corruption policy demonstrates the Company's commitment to ethical business practices and compliance with all applicable laws and regulations related to anti-corruption and anti-bribery. Full text of the anti-corruption policy is available on the Company's website.

## CONSTITUTIONAL DOCUMENT

During the year, there is no change in the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

## DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 83 to 87 of this Annual Report.

The board of directors of the Company (the “**Board**”) present its annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

A review of the business of the Group for the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”), including description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of this financial year and indication of likely future development in the Group’s business are set out in the sections headed “*Chairman’s Statement*”, “*Management Discussion and Analysis*”, “*Environmental, Social and Governance Report*” and “*Corporate Governance Report*” of this Annual Report, which form part of this report of the directors.

## RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss on page 88 and in the accompanying notes to the consolidated financial statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

An interim dividend of HK5.18 cents per share (2024: HK5.18 cents per share) was paid on 31 October 2025. The Board recommends the payment of a final dividend of HK8.82 cents per share (2024: HK8.82 cents per share). Details are set out in Note 11 to the consolidated financial statements.

## 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 192.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Notes 32 and 54 to the consolidated financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of the Company’s share capital are set out in Note 31 to the consolidated financial statements.

## BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2025 are set out in Note 34 to the consolidated financial statements.

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

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

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

The loans under the term loan facility of the 2022 Facility Agreement had been fully repaid on 9 December 2025.

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

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

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

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

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

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

The loans under the revolving loan facility of the 2024 Facility Letter I had been fully repaid on 16 December 2024 and the 2024 Facility Letter I had expired on 12 March 2025.

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

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

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

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

- (v) On 30 May 2025, the Company entered into a facility letter (the “**2025 Facility Letter**”) with a bank as lender (the “**2025 Facility Lender**”) in respect of an uncommitted revolving loan facility of HK\$100 million for a period of one year after the acceptance of the 2025 Facility Letter.

According to the 2025 Facility Letter, the Company undertakes, among others, that the Tianjin SASAC shall remain as the ultimate beneficial owner of the Company and maintain more than 50% of the shareholding ownership, directly or indirectly, in the Company.

If violation of the relevant undertakings under the 2025 Facility Letter occurs, the Company shall on demand indemnify the 2025 Facility Lender against any cost, loss or liability incurred by the 2025 Facility Lender.

- (vi) On 17 September 2025, the Company entered into a facility agreement (the “**2025 Facility Agreement**”) with a syndicate of banks as lenders (the “**2025 Facility Lenders**”) in respect of a term loan facility of up to HK\$2,000 million for a period of 36 months commencing from the date of utilisation.

Pursuant to the 2025 Facility Agreement, it will be an event of default, *inter alia*, if: (i) the Tianjin SASAC ceases to maintain a majority shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien.

On and at any time after the occurrence of an event of default which is continuing, the agent acting for the 2025 Facility Lenders may, and shall if so directed by a majority of the 2025 Facility Lenders, by notice to the Company: (a) cancel the total commitments or any part(s) thereof; (b) declare that the loans or any relevant part thereof, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loans or any relevant part thereof be payable on demand.

As at 31 December 2025, the specific performance obligations imposed on the controlling shareholder(s) of the Company numbered (ii), (iv), (v) and (vi) above continue to exist.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2025.

# Report of the Directors

## DIRECTORS

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

### Executive Directors

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

### Non-Executive Director

Mr. Sun Lijun

### Independent Non-Executive Directors

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

In accordance with article 101 of the Company's articles of association, Dr. Zhai Xinxiang, Ms. Ng Yi Kum, Estella and Mr. Wong Shiu Hoi, Peter will retire from office by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The biographical details of the directors who will offer themselves for re-election are set out in the section headed "*Biographical Details of Directors and Senior Management*" on pages 15 to 18. Details of the emoluments of the directors are set out in Note 10 to the consolidated financial statements.

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

## DIRECTORS' SERVICE CONTRACT

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

## PERMITTED INDEMNITY PROVISION

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

Save as disclosed above, at no time during the year ended 31 December 2025 and up to the date of this report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Save as disclosed above, during the year ended 31 December 2025 and up to the date of this report, none of the directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2025, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2025 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements that would enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE SCHEME

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

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Group were subsisting as at 31 December 2025 and the Group did not enter into any equity-linked agreements during the year.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2025, the following persons or corporations, other than the directors or chief executive of the Company, had interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

notes:

1. All interests stated above represent long positions.
2. Tsinlien is a direct wholly-owned subsidiary of Tianjin Bohai, which in turn is a direct wholly-owned subsidiary of TEDA Industrial. TEDA Industrial is a non-wholly owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, TEDA Industrial and Tianjin Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
3. As at 31 December 2025, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited and Tsinlien Investment Limited, held 570,039,143 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts in respect of the management and/or administration of the whole or any substantial part of the business of the Group, not being a contract of service with any director of the Company or any person engaged in the full-time employment of the Company (as defined in section 543 of the Companies Ordinance) were entered into or subsisted during the year.

## CONNECTED TRANSACTIONS

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

### Connected Transactions

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

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

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

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

- (ii) On 10 September 2025, Lisheng Pharmaceutical entered into a limited partnership agreement (the “**Partnership Agreement**”) with CCB Private Equity Investment Management Co., Ltd. (建信股權投資管理有限責任公司), Tianjin TEDA Private Equity Fund Management Co., Ltd. (天津泰達私募基金管理有限公司) (“**TEDA Private Equity**”), Gongqingcheng Jianxing Investment Partnership (Limited Partnership) (共青城建興投資合夥企業(有限合夥)), Tianjin TEDA International Holding (Group) Co., Ltd. (天津市泰達國際控股(集團)有限公司) (“**TEDA International**”), Tianjin Guoxin Industrial Development Guidance Fund I (Limited Partnership) (天津市國鑫一號產業發展母基金合夥企業(有限合夥)) and Jianxin Pilot Strategic Emerging Industries Development Fund (L.P.) (建信領航戰略性新興產業發展基金(有限合夥)) in relation to the formation of Tianjin Jiansheng Guoxin TEDA Equity Investment Fund Partnership (Limited Partnership) (天津建生國鑫泰達股權投資基金合夥企業(有限合夥)) (the “**Fund**”). The Fund will principally invest in the equity interests (including convertible bonds) in the sectors of health and biotechnology in the PRC. The term of the Fund is no more than five years commencing from the date of first payment of capital by the Fund partners to the Fund. The capital commitment of Lisheng Pharmaceutical was RMB173,750,000, representing 34.75% of the total capital commitment of the Fund. The total capital commitment of the Fund of all fund partners in the Partnership Agreement was RMB500,000,000.

# Report of the Directors

## Connected Transactions (Continued)

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules based on the capital commitment amount of Lisheng Pharmaceutical under the Partnership Agreement exceeds 5% but none of the applicable percentage ratios exceeds 25%, the entering into of the Partnership Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company.

TEDA Holding is the controlling shareholder and connected person of the Company, through certain of its subsidiaries including Tianjin Bohai, indirectly holds approximately 62.81% of the total issued shares of the Company. TEDA International is owned as to approximately 53% and 47% by TEDA Holding and Tianjin Bohai respectively, whereas TEDA Private Equity is wholly-owned subsidiary of TEDA International. Each of TEDA Private Equity and TEDA International is therefore an associate of TEDA Holding and a connected person of the Company. Accordingly, the entering into of the Partnership Agreement and the transactions contemplated thereunder (including the formation of the Fund) also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the transaction were disclosed in the Company's announcements dated 22 August 2025 and 10 September 2025, and the circular dated 17 October 2025.

## Continuing Connected Transactions

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

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

### (i) Water Transmission Pipelines Lease Master Agreement

On 15 November 2024, the Company entered into a water transmission pipelines lease master agreement (the "**Water Transmission Pipelines Lease Master Agreement**") with TEDA Holding in relation to the lease of the water transmission pipelines and the relevant ancillary facilities (the "**Water Transmission Facilities**") by members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2027. The leasing fee shall be determined in accordance with the following principles:

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

For the year ended 31 December 2025, the total amount paid by the Group to TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB8,116,000 (equivalent to HK\$8,860,000), which is within the annual cap of RMB30,000,000 (equivalent to HK\$32,751,000).

## Continuing Connected Transactions (Continued)

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

On 15 November 2024, the Company entered into a heat and power networks and facilities lease master agreement (the “**Heat and Power Networks and Facilities Lease Master Agreement**”) with TEDA Holding in relation to the lease of heat and power networks and related facilities by members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2027. The monthly leasing fee shall be calculated based on the monthly depreciation costs of the relevant heat and power networks and related facilities incurred by the relevant members of the TEDA Holding Group.

For the year ended 31 December 2025, the total amount paid by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB1,219,000 (equivalent to HK\$1,331,000), which is within the annual cap of RMB10,000,000 (equivalent to HK\$10,917,000).

### (iii) Steam Purchase Master Agreement

On 15 November 2024, the Company entered into a steam purchase master agreement (the “**Steam Purchase Master Agreement**”) with TEDA Holding in relation to the purchasing of steam and heat power products from members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2027. The price of the steam and heat power products shall be determined in accordance with the government guidance prices, the rate of return and the standard of quality of products, and in particular with reference to the followings:

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

For the year ended 31 December 2025, the total amount paid by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB803,124,000 (equivalent to HK\$876,773,000), which is within the annual cap of RMB1,400,000,000 (equivalent to HK\$1,528,384,000).

# Report of the Directors

## Continuing Connected Transactions (Continued)

### (iv) Products Procurement Master Agreement

On 15 November 2024, the Company entered into a products procurement master agreement (the “**Product Procurement Master Agreement**”) with TEDA Holding in relation to the purchasing of certain product(s) including daily office supplies, consumables and spare parts and other products based on the business needs (the “**Consumable Products**”) from members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2027. The price of the Consumable Products shall be determined with reference to the type, quantity, quality and specifications of the Consumable Products and the pricing principles of the prevailing market price of the products of similar type and quality. In particular:

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

For the year ended 31 December 2025, the total amount paid by the Group to the TEDA Holding Group under the Products Procurement Master Agreement was RMB48,528,000 (equivalent to HK\$52,978,000), which is within the annual cap of RMB200,000,000 (equivalent to HK\$218,341,000).

### (v) Integrated Services Master Agreement

On 15 November 2024, the Company entered into an integrated services master agreement (the “**Integrated Services Master Agreement**”) with TEDA Holding in relation to the provision of certain services including construction and engineering services, property and facility management services, human resources related services, consultancy and advisory services and other services as required from time to time (the “**Integrated Services**”) by members of the TEDA Holding Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2027.

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

For the year ended 31 December 2025, the total amount paid by the Group to the TEDA Holding Group under the Integrated Services Master Agreement was RMB52,828,000 (equivalent to HK\$57,673,000), which is within the annual cap of RMB150,000,000 (equivalent to HK\$163,755,000).

## Continuing Connected Transactions (Continued)

### (vi) Water Testing Services Master Agreement

On 15 November 2024, the Company entered into a water testing services master agreement (the “**Water Testing Services Master Agreement**”) with TEDA Holding in relation to the provision of services of conducting various tests on water samples and the ancillary services thereto (the “**Water Testing Services**”) as required from time to time by members of the Group to members of the TEDA Holding Group for a term commencing from 1 January 2025 to 31 December 2027. The fees chargeable by members of the Group in respect of provision of the Water Testing Services will be determined in accordance with the following principles:

- (a) for a test for non-organic substances, a test for organic substances or a technological validation: based on the specified chemical or the type of mixed chemicals, as well as the specific testing method, the fixed charges of which may be reviewed and adjusted by the relevant member of the Group from time to time;
- (b) for a test for biochemical substances: based on the specified type of bacteria or the relevant chemical substances related to such bacteria, as well as the specific testing method, the fixed charge of which may be reviewed and adjusted by the relevant member of the Group from time to time; and
- (c) for a test for the completion inspection of construction of water tanks: based on the relevant construction site or project.

For the year ended 31 December 2025, the total amount received by the Group from the TEDA Holding Group under the Water Testing Services Master Agreement was RMB5,244,000 (equivalent to HK\$5,725,000), which is within the annual cap of RMB10,000,000 (equivalent to HK\$10,917,000).

### (vii) Master Sales Agreement

On 15 November 2024, the Company entered into a master sales agreement (the “**Master Sales Agreement**”) with Tianjin Pharmaceutical in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products (the “**Products**”) by members of the Group to members of Tianjin Pharmaceutical and its subsidiaries (the “**Tianjin Pharmaceutical Group**”) for a term commencing from 1 January 2025 to 31 December 2025. The price of the Products shall be determined in accordance with the following principles:

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

# Report of the Directors

## Continuing Connected Transactions (Continued)

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

For the year ended 31 December 2025, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB43,784,000 (equivalent to HK\$47,799,000), which is within the annual cap of RMB94,000,000 (equivalent to HK\$102,957,000).

On 22 December 2025, the Company entered into a new master sales agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2026 to 31 December 2026.

## (viii) Entrusted Processing Master Agreement

On 15 November 2024, the Company entered into an entrusted manufacturing and processing master agreement (the “**Entrusted Processing Master Agreement**”) with Tianjin Pharmaceutical, pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the carrying out of manufacturing, processing, quality control, inspection, warehousing and other related work in respect of certain drugs (other than those the manufacturing and processing of which are prohibited to be entrusted to qualified contract manufacturing organisation under the Drug MAH System of the PRC) for a term commencing from 1 January 2025 to 31 December 2025. The fees receivable shall be determined in accordance with the following principles:

- (a) the members of the Group shall, in accordance with the following pricing policies which are equally applicable to independent third-party customers, and with reference to other factors including market conditions and fees charged by independent third parties for the manufacturing and processing of similar drugs, charge the members of the Tianjin Pharmaceutical Group manufacturing and processing fees:
  - (i) for raw materials and packaging materials: the relevant costs of procurement;
  - (ii) for production inputs other than raw materials and packaging materials (including work done for entrusted manufacturing and processing): total costs plus a profit margin of approximately 10% to 45%; and
- (b) the members of the Group may, based on the production quantity and payment terms, offer to the members of the Tianjin Pharmaceutical Group the same discount which the Group would offer to its independent third party customers.

For the year ended 31 December 2025, the total amount received by the Group from the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB6,705,000 (equivalent to HK\$7,320,000), which is within the annual cap of RMB70,000,000 (equivalent to HK\$76,419,000).

On 22 December 2025, the Company entered into a new entrusted processing master agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2026 to 31 December 2026.

## Continuing Connected Transactions (Continued)

### (ix) Pharmaceutical Purchase Master Agreement

On 15 November 2024, the Company entered into a pharmaceutical purchase master agreement (the “**Pharmaceutical Purchase Master Agreement**”) with Tianjin Pharmaceutical in relation to the purchasing of pharmaceutical product(s) or raw materials from members of the Tianjin Pharmaceutical Group to members of the Group for a term commencing from 1 January 2025 to 31 December 2025. The price of the pharmaceutical product(s) or raw materials shall be determined in accordance with the following principles:

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

For the year ended 31 December 2025, the total amount paid by the Group to the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB5,503,000 (equivalent to HK\$6,008,000), which is within the annual cap of RMB20,000,000 (equivalent to HK\$21,834,000).

On 22 December 2025, the Company entered into a new pharmaceutical purchase master agreement with Tianjin Pharmaceutical to continue the transactions for a further term of one year commencing from 1 January 2026 to 31 December 2026.

Details of the above transactions were disclosed in the Company’s announcements dated 15 November 2024 and 22 December 2025 and the circular dated 5 December 2024.

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

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

## DISCLOSURE PURSUANT TO RULE 14.36B OF THE LISTING RULES

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

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

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

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

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

Based on the audited accounts for the financial year ended 31 December 2025 of Qingchun Kangyuan, the audited consolidated net profit (after deduction of non-recurring profits and losses) for the financial year ended 31 December 2025 was RMB14,402,200 (2024: RMB12,561,671), which was higher than the preceding financial year, and the average annual growth rate of the audited consolidated net profit (after deduction of non-recurring profits and losses) for the financial year ended 31 December 2025 was higher than 10%, compared to the prior financial year. As such, the Performance Guarantee for the financial year ended 31 December 2025 has been fulfilled.

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

- the largest supplier 34%
- five largest suppliers in aggregation 57%

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2025, except for the deviation as disclosed in the Corporate Governance Report on page 51.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, at least 25% of the Company's total number of issued shares (excluding treasury shares) was held by the public at all times during the year. As at 31 December 2025, the Company's public float was 37.19% of its total number of issued shares (excluding treasury shares).

Share ownership composition of the Company as at 31 December 2025 is as follows:

Size of shareholding	Number of shareholders	Approximate percentage of total number of shareholders	Number of shares held	Approximate percentage of total number of issued shares (excluding treasury shares)
1 – 1,000	31	15.98%	4,051	0.0004%
1,001 – 5,000	61	31.44%	148,031	0.0138%
5,001 – 10,000	44	22.68%	370,000	0.0345%
10,001 – 100,000	51	26.29%	1,644,000	0.1532%
100,001 and above	7	3.61%	1,070,604,043	99.7981%
<b>Total</b>	<b>194</b>	<b>100.00%</b>	<b>1,072,770,125</b>	<b>100.0000%</b>

# Report of the Directors

## INDEPENDENT AUDITOR

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

By Order of the Board

**Teng Fei**

*Chairman and Executive Director*

Hong Kong, 30 March 2026



TO THE MEMBERS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

天津發展控股有限公司

*(incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 88 to 191, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) 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.

# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### Key audit matter

### How our audit addressed the key audit matter

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

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

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

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

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

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

## OTHER INFORMATION

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is POON, Kam Chuen (practicing certificate number: P06225).

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
30 March 2026

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	4	<b>3,196,199</b>	3,359,416
Cost of sales		<b>(2,258,196)</b>	(2,372,308)
Gross profit		<b>938,003</b>	987,108
Other income	5	<b>542,740</b>	291,862
Other gains and losses, net	6	<b>61,193</b>	354,353
Selling and distribution expenses		<b>(426,253)</b>	(449,481)
General and administrative expenses		<b>(454,745)</b>	(428,524)
Other operating expenses		<b>(175,630)</b>	(167,810)
Finance costs	7	<b>(95,216)</b>	(120,730)
Share of net profit of associates and joint venture accounted for using the equity method	16	<b>441,234</b>	419,176
Profit before tax		<b>831,326</b>	885,954
Tax expense	8	<b>(76,215)</b>	(84,789)
Profit for the year	9	<b>755,111</b>	801,165
Attributable to:			
Owners of the Company		<b>427,942</b>	548,069
Non-controlling interests		<b>327,169</b>	253,096
		<b>755,111</b>	801,165
Earnings per share		<b>HK cents</b>	HK cents
Basic	12	<b>39.89</b>	51.09
Diluted		<b>39.88</b>	51.09

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Profit for the year		<b>755,111</b>	801,165
<b>Other comprehensive (expense) income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income	19	<b>(540,669)</b>	(318,354)
Deferred taxation on fair value change of equity instruments at fair value through other comprehensive income		<b>135,573</b>	46,298
Share of other comprehensive income of investments accounted for using the equity method – fair value through other comprehensive income reserve, net of tax		<b>7,888</b>	8,399
Currency translation differences			
– the Group		<b>260,190</b>	(244,149)
– investments accounted for using the equity method		<b>132,619</b>	(119,094)
Other comprehensive expense for the year		<b>(4,399)</b>	(626,900)
Total comprehensive income for the year		<b>750,712</b>	174,265
Attributable to:			
Owners of the Company		<b>578,535</b>	226,410
Non-controlling interests		<b>172,177</b>	(52,145)
		<b>750,712</b>	174,265

# Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	2,052,844	2,125,789
Land use rights	14	472,959	474,088
Investment properties	15	186,822	190,205
Investments accounted for using the equity method	16	6,248,845	6,064,989
Goodwill	17	79,403	77,323
Intangible assets	18	46,090	47,121
Financial assets at fair value through profit or loss	27	70,961	32,159
Finance lease receivables	20	114,345	96,540
Deposits paid for acquisition of property, plant and equipment		12,705	10,198
Deferred tax assets	35	88,890	78,412
Equity instruments at fair value through other comprehensive income	19	1,760,340	2,265,620
Time deposits with maturity over three months	30	2,614,037	238,734
		<b>13,748,241</b>	11,701,178
<b>Current assets</b>			
Inventories	22	344,302	304,722
Amounts due from investments accounted for using the equity method	23	13,167	16,086
Amount due from ultimate holding company	23	275	183
Amounts due from related companies	24	127,002	99,926
Contract assets	25	62,809	156,706
Finance lease receivables	20	–	14,910
Trade receivables	26	1,439,282	1,401,862
Other receivables, deposits and prepayments	26	389,248	426,410
Financial assets at fair value through profit or loss	27	883,799	653,229
Structured deposits	28	449,456	347,394
Entrusted deposits	29	1,107,497	1,036,909
Restricted bank balances	30	70,131	119,178
Time deposits with maturity over three months	30	1,305,397	2,379,043
Cash and cash equivalents	30	2,811,065	3,535,113
		<b>9,003,430</b>	10,491,671
<b>Total assets</b>		<b>22,751,671</b>	22,192,849

# Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital	31	5,136,285	5,136,285
Reserves	32	7,889,449	7,456,212
		<b>13,025,734</b>	12,592,497
<b>Non-controlling interests</b>		<b>4,896,358</b>	4,862,796
<b>Total equity</b>		<b>17,922,092</b>	17,455,293
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	39	7,595	13,633
Bank borrowings	34	1,741,936	24,597
Deferred tax liabilities	35	67,044	205,253
		<b>1,816,575</b>	243,483
<b>Current liabilities</b>			
Trade payables	36	479,920	444,637
Other payables and accruals	37	1,297,722	1,174,570
Amounts due to related companies	24	157,570	141,058
Contract liabilities	38	768,412	670,645
Lease liabilities	39	7,840	10,499
Bank borrowings	34	238,760	1,965,216
Current tax liabilities		62,780	87,448
		<b>3,013,004</b>	4,494,073
<b>Total liabilities</b>		<b>4,829,579</b>	4,737,556
<b>Total equity and liabilities</b>		<b>22,751,671</b>	22,192,849
<b>Net current assets</b>		<b>5,990,426</b>	5,997,598
<b>Total assets less current liabilities</b>		<b>19,738,667</b>	17,698,776

The consolidated financial statements on pages 88 to 191 were approved and authorised for issue by the board of directors of the Company on 30 March 2026 and are signed on its behalf by:

**Teng Fei**  
DIRECTOR

**Zhai Xinxiang**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Notes	Owners of the Company				Non-	Total
		Share capital	Other reserves	Retained earnings	Sub-total	controlling interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024		5,136,285	(261,454)	7,659,960	12,534,791	4,978,137	17,512,928
Profit for the year		–	–	548,069	548,069	253,096	801,165
Other comprehensive expense for the year		–	(321,659)	–	(321,659)	(305,241)	(626,900)
Total comprehensive (expense) income for the year		–	(321,659)	548,069	226,410	(52,145)	174,265
Dividends	11	–	–	(149,973)	(149,973)	(87,255)	(237,228)
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	33	–	–	–	–	6,252	6,252
Transfer between reserves		–	51,552	(51,552)	–	–	–
Acquisition of a subsidiary	43	–	–	–	–	38,735	38,735
Dilution of equity interest of an associate		–	(12,058)	–	(12,058)	(5,939)	(17,997)
Repurchase of shares by a subsidiary		–	(14,651)	–	(14,651)	(7,216)	(21,867)
Disposal of equity instrument at fair value through other comprehensive income	19(iii)	–	(4,108)	11,939	7,831	(7,831)	–
Others		–	147	–	147	58	205
		–	20,882	(189,586)	(168,704)	(63,196)	(231,900)
At 31 December 2024		5,136,285	(562,231)	8,018,443	12,592,497	4,862,796	17,455,293
Profit for the year		–	–	<b>427,942</b>	<b>427,942</b>	<b>327,169</b>	<b>755,111</b>
Other comprehensive income (expense) for the year		–	<b>150,593</b>	–	<b>150,593</b>	<b>(154,992)</b>	<b>(4,399)</b>
Total comprehensive income for the year		–	<b>150,593</b>	<b>427,942</b>	<b>578,535</b>	<b>172,177</b>	<b>750,712</b>
Dividends	11	–	–	<b>(150,187)</b>	<b>(150,187)</b>	<b>(67,380)</b>	<b>(217,567)</b>
Share-based payment reserves under restricted shares incentive scheme of a subsidiary	33	–	–	–	–	<b>24,000</b>	<b>24,000</b>
Transfer between reserves		–	<b>41,010</b>	<b>(41,010)</b>	–	–	–
Repurchase of shares by a subsidiary		–	<b>13,127</b>	–	<b>13,127</b>	<b>(111,975)</b>	<b>(98,848)</b>
Shares of a subsidiary vested		–	<b>(4,569)</b>	–	<b>(4,569)</b>	<b>17,954</b>	<b>13,385</b>
Others		–	<b>(7,989)</b>	<b>4,320</b>	<b>(3,669)</b>	<b>(1,214)</b>	<b>(4,883)</b>
		–	<b>41,579</b>	<b>(186,877)</b>	<b>(145,298)</b>	<b>(138,615)</b>	<b>(283,913)</b>
At 31 December 2025		<b>5,136,285</b>	<b>(370,059)</b>	<b>8,259,508</b>	<b>13,025,734</b>	<b>4,896,358</b>	<b>17,922,092</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from (used in) operations	44	257,901	(534,261)
PRC income tax paid		(116,485)	(68,886)
Interest paid		(94,633)	(120,058)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>		<b>46,783</b>	<b>(723,205)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from redemption of structured deposits		1,129,913	1,128,149
Proceeds from redemption of entrusted deposits		863,366	1,110,253
Dividends received from associates and joint venture		397,884	438,291
Dividend received from equity instruments at fair value through other comprehensive income		204,216	10,722
Interest received		152,077	201,169
Release of restricted bank balances		51,343	94,330
Proceeds from disposal of equity instruments at fair value through other comprehensive income		12,627	–
Proceeds from disposal of property, plant and equipment		5,813	76,185
Repayment from (advances to) investments accounted for using the equity method		2,919	(3,203)
Increase in time deposits with maturity over three months		(1,257,159)	(721,839)
Additions of structured deposits		(1,221,803)	(1,326,758)
Additions of entrusted deposits		(873,363)	(1,051,479)
Purchases of property, plant and equipment		(66,576)	(180,547)
Deposit paid for acquisition of property, plant and equipment		(12,844)	(10,266)
Proceed from disposal of an associate		–	131,755
Proceed from disposal of asset classified as held for sale		–	96,193
Net cash inflow on acquisition of a subsidiary	43	–	26,205
Proceeds from disposal of intangible assets		–	9,300
Purchase of equity instruments at fair value through other comprehensive income		–	(3,742)
Purchases of intangible assets		–	(1,163)
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(611,587)</b>	<b>23,555</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(1,770,029)	(251,690)
Dividends paid	(217,567)	(237,228)
Payments on repurchase of shares of a subsidiary	(98,848)	(21,867)
Repayment of lease liabilities	(11,238)	(10,343)
Drawdown of bank borrowings	1,754,158	375,353
Amount received from restricted shares incentive scheme of a subsidiary	66,707	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(276,817)</b>	<b>(145,775)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(841,621)</b>	<b>(845,425)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>3,535,113</b>	<b>4,461,089</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>117,573</b>	<b>(80,551)</b>
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>2,811,065</b>	<b>3,535,113</b>
Represented by:		
Cash and cash equivalents	2,811,065	3,535,113

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 1. GENERAL INFORMATION

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

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

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

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

### Basis of preparation of consolidated financial statements

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

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

In the current year, the Group has applied the following amendments to HKFRS Accounting Standard as issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
-----------------------	-------------------------

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>2</sup>
Amendments to HKAS 21	Translation to a Hyperinflation Presentation Currency <sup>3</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

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

#### *HKFRS 18 “Presentation and Disclosure in Financial Statements”*

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

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. The Group currently presents interest paid in operating activities, it will be classified in the financing activities on the consolidated statement of cash flows.

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

### Material accounting policy information

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

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

#### (b) Government grants

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

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

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

#### (c) Group accounting

##### (i) Subsidiaries

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (c) Group accounting (Continued)

##### (i) Subsidiaries (Continued)

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

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

##### (ii) Associates and joint ventures

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

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

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

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

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

### Material accounting policy information (Continued)

#### (c) Group accounting (Continued)

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

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

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

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

##### (iii) Business combinations

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (c) Group accounting (Continued)

##### (iii) Business combinations (Continued)

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively; and
- Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

### Material accounting policy information (Continued)

#### (c) Group accounting (Continued)

##### (iv) Goodwill

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

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

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

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

#### (d) Financial instruments

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (d) Financial instruments (Continued)

##### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective as a hedging instrument.

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

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

### Material accounting policy information (Continued)

#### (d) Financial instruments (Continued)

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

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

##### (a) Amortised cost and interest income

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

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

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

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

##### (c) Financial assets at FVTPL

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (d) Financial instruments (Continued)

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

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

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

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

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

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

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

### Material accounting policy information (Continued)

#### (d) Financial instruments (Continued)

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

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

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

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

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

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

##### *Derecognition of financial assets*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (d) Financial instruments (Continued)

##### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Financial liabilities at amortised cost*

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

##### *Derecognition of financial liabilities*

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

#### (e) Foreign currency translation

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

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

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

### Material accounting policy information (Continued)

#### (e) Foreign currency translation (Continued)

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (g) Land use rights

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

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

#### (h) Investment properties

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

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

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

#### (i) Leases

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

##### *As a lessee*

##### Short-term leases

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

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

### Material accounting policy information (Continued)

#### (i) Leases (Continued)

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

##### Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

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

##### Refundable rental deposits

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (i) Leases (Continued)

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

##### Lease liabilities

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

The lease payments include:

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

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

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

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

##### *As a lessor*

##### Classification and measurement of leases

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

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

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

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

### Material accounting policy information (Continued)

#### (i) Leases (Continued)

##### *As a lessor (Continued)*

##### *Refundable rental deposits*

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

##### *Sale and leaseback transactions*

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

##### *The Group as a buyer-lessor*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

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

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

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

#### (k) Cash and cash equivalents

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

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

#### (l) Inventories

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

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

### Material accounting policy information (Continued)

#### (m) Employee benefits

##### (i) Retirement benefit costs

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

##### (ii) Short-term employee benefits

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

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

##### (iii) Restricted shares incentive scheme

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

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

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

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

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

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

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

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

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

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

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

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

### Material accounting policy information (Continued)

#### (o) Borrowing costs

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

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

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

#### (p) Provisions

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

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

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

#### (q) Contingent liabilities

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Material accounting policy information (Continued)

#### (r) Intangible assets

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

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

## 3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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

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

### Critical judgements in applying accounting policies

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

Following the completion of unilateral capital injection by one of the equity holders of Research Institute on 25 December 2024, the equity interests of such equity holder and the Group in Research Institute increased to and reduced to approximately 65.95% and 31.05%, respectively, and its articles of association has also been amended on the same date. Whilst the Group retains representation of board and shareholders’ meetings of Research Institute, the directors of the Company consider that the amended articles of association confers the aforesaid equity holder unilateral power to pre-determine the major operational and financial policies of the Research Institute. The Group has lost significant influence over Research Institute upon the completion of unilateral capital injection by such equity holder and amendments to the articles of association of Research Institute on 25 December 2024. Since the Group’s equity interest in Research Institute has been hold other than its trading portfolio with high-likelihood of sale, the Group considered that it is appropriate to reclassify and designate it, as permitted under HKFRS 9, as an equity instrument at FVTOCI at initial recognition, when the Group ceased significant influence over Research Institute. Details of which are set out in Note 6(i).

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

### Key sources of estimation uncertainty

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

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

As at 31 December 2025, the carrying value of the Group's interest in Tianjin Port exceeded the market value (based on bid price quoted in an active market at 31 December 2025) of the Group's attributable holding therein by approximately HK\$3,013,103,000 (2024: approximately HK\$2,888,595,000). The carrying value of the Group's interest in Tianjin Port is approximately HK\$3,879,534,000, net of impairment loss of HK\$300,000,000 (2024: approximately HK\$3,716,230,000, net of impairment loss of HK\$300,000,000). Management has assessed the value in use of the Group's interest in Tianjin Port based on discounted cash flows. This assessment involves significant assumptions including discount rates, dividend growth rate and expected dividend income. When the value in use is less than expected, a further impairment loss would arise. Further details are set out in Note 21(a).

#### (b) Recognition of government supplemental income

The Group's heat entity in utilities business receives government supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area (the “**TEDA Finance Bureau**”) on an annual basis whereby the amount of such income will only be finalised after the end of the financial year. For the purpose of these consolidated financial statements, the Group, after discussion with the TEDA Finance Bureau, has recognised an amount of such government supplemental income for the year ended 31 December 2025 (Note 4(i)) based on a notice issued by the relevant government authority of TEDA and certain operating data of the heat entity for the year ended 31 December 2025. While the directors of the Company are of the opinion that the government supplemental income for the year ended 31 December 2025 is reasonable and represents the best estimate of the Group's entitlement after taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

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

The impairment assessments had been carried out for the non-current assets of the electrical and mechanical segment as at 31 December 2025. Determining whether the carrying amounts of the non-current assets (including the property, plant and equipment and land use rights) (where there are indicators of impairment) are impaired requires an estimation of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. The estimated recoverable amount of the non-current assets of the electrical and mechanical segment is measured at fair value less cost of disposal and assessed if any impairment would arise. Where the fair value less cost of disposal is less than expected, a material impairment loss may arise. Further details are set out in Note 21(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Key sources of estimation uncertainty (Continued)

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

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

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

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

Certain of the Group's financial assets representing unquoted equity instruments amounting to HK\$1,674,559,000 as at 31 December 2025 (2024: HK\$1,289,494,000) are measured at fair values which are determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Besides, some of the Group's other assets are also measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further details are disclosed in Note 45.

#### (f) Machinery construction contracts

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

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

Investment properties are carried in the consolidated statement of financial position as at 31 December 2025 and 2024 at their fair values, details of which are disclosed in Note 15. The fair values of the investment properties were determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, increased complexity in international trade tensions and geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents, may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amounts of these properties included in the consolidated statement of financial position.

## 4. SEGMENT INFORMATION

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

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

### (a) Utilities

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

### (b) Pharmaceutical

This segment derives revenue from manufacture and sales of chemical drugs, proprietary Chinese medicines and other healthcare products as well as design, manufacture and printing for pharmaceutical packaging in the PRC, while the result of the provision of pharmaceutical research and development services of this segment for the year ended 31 December 2024 was contributed by Research Institute, an investment accounted for using the equity method of the Group until 25 December 2024. Upon completion of unilateral capital injection by one of its equity holders on that date, the Group lost significant influence over Research Institute and it has been accounted for an equity instrument at FVTOCI of the Group thereafter. In this year, this segment does not recognise any profit or loss of Research Institute.

### (c) Hotel

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

### (d) Electrical and mechanical

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

### (e) Port services

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

### (f) Elevators and escalators

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Disaggregation of revenue from contracts with customers

For the year ended 31 December 2025

Segments	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Total HK\$'000
<b>Types of goods or services</b>					
Utilities					
Water	307,173	-	-	-	307,173
Heat and thermal power	956,758	-	-	-	956,758
	<b>1,263,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,263,931</b>
Pharmaceutical					
Manufacture and sales of chemical drugs, proprietary Chinese medicines and other healthcare products	-	1,508,557	-	-	1,508,557
Design, manufacture and printing for pharmaceutical packaging	-	156,196	-	-	156,196
	<b>-</b>	<b>1,664,753</b>	<b>-</b>	<b>-</b>	<b>1,664,753</b>
Hotel	-	-	136,524	-	136,524
Electrical and mechanical					
Manufacture and sales of hydroelectric equipment and large scale pump units	-	-	-	130,991	130,991
	<b>1,263,931</b>	<b>1,664,753</b>	<b>136,524</b>	<b>130,991</b>	<b>3,196,199</b>
<b>Timing of revenue recognition</b>					
A point in time	1,263,931	1,664,753	-	-	2,928,684
Over time	-	-	136,524	130,991	267,515
	<b>1,263,931</b>	<b>1,664,753</b>	<b>136,524</b>	<b>130,991</b>	<b>3,196,199</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2024

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Performance obligations for contracts with customers and revenue recognition policies

The Group recognises revenue from the following major sources:

- Revenue from sales of water, and heat and thermal power are recognised at a point in time when the control of which has been transferred to customers with reference to the meter readings of actual utilisation.
- Revenue from manufacture and sales of chemical drugs, proprietary Chinese medicines, other healthcare products and pharmaceutical packaging products are recognised at a point in time when the control of the goods has been transferred upon delivery.
- Revenue from hotel operation, which mainly represents room rentals and other ancillary services, is recognised as revenue over the stay of guests and upon services provided, respectively.
- Manufacture and sales of hydroelectric equipment and large scale pump units are recognised as revenue over the construction period based on the progress of work that creates or enhances such equipment by using input method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results

For the year ended 31 December 2025

	Utilities HK\$'000 (note (i))	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total operating segments HK\$'000
Segment revenue							
– external customers	1,263,931	1,664,753	136,524	130,991	–	–	3,196,199
Operating (loss) profit before interest	(26,508)	444,189	28,354	(90,716)	–	–	355,319
Interest income	22,963	63,808	30	368	–	–	87,169
Finance costs	–	(8,680)	–	–	–	–	(8,680)
Share of net profit of associates and joint venture accounted for using the equity method	62,826	–	–	–	139,994	238,414	441,234
Profit (loss) before tax	59,281	499,317	28,384	(90,348)	139,994	238,414	875,042
Tax (expense) credit	(6,354)	(51,980)	130	(1)	–	–	(58,205)
Segment results							
– profit (loss) for the year	52,927	447,337	28,514	(90,349)	139,994	238,414	816,837
Non-controlling interests	480	(292,896)	–	15,594	–	(41,150)	(317,972)
Profit (loss) attributable to owners of the Company	53,407	154,441	28,514	(74,755)	139,994	197,264	498,865
Segment results							
– profit (loss) for the year includes:							
Depreciation and amortisation	45,354	102,396	13,604	22,740	–	–	184,094

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

For the year ended 31 December 2024

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

	2025 HK\$'000	2024 HK\$'000
Reconciliation of profit for the year		
Total reportable segments	<b>816,837</b>	857,937
Corporate and others (note (ii))	<b>(61,726)</b>	(56,772)
Profit for the year	<b>755,111</b>	801,165

notes:

- (i) Revenue from supply of water, and heat and thermal power to external customers amounted to HK\$307,173,000 and HK\$956,758,000, respectively (2024: HK\$304,294,000 and HK\$1,139,455,000, respectively).

The above revenue included government supplemental income of HK\$102,126,000 (2024: HK\$191,596,000).

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

### Segment assets and liabilities

	Utilities HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total reportable segments HK\$'000	Corporate and others HK\$'000 (note)	Total HK\$'000
<b>As at 31 December 2025</b>									
Segment assets	4,299,213	7,982,466	467,661	475,295	3,879,534	849,576	17,953,745	4,797,926	22,751,671
Segment liabilities	1,388,166	1,067,372	14,603	833,761	-	-	3,303,902	1,525,677	4,829,579
<b>As at 31 December 2024</b>									
Segment assets	3,982,741	7,994,444	472,001	517,593	3,716,230	928,920	17,611,929	4,580,920	22,192,849
Segment liabilities	1,197,032	1,136,822	13,078	769,450	-	-	3,116,382	1,621,174	4,737,556

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. SEGMENT INFORMATION (Continued)

### Other segment information

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

	2025 HK\$'000	2024 HK\$'000
The PRC	3,059,675	3,225,190
Hong Kong	136,524	134,226
	<b>3,196,199</b>	3,359,416

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

	2025 HK\$'000	2024 HK\$'000
The PRC	8,724,422	8,595,713
Hong Kong	375,246	394,000
	<b>9,099,668</b>	8,989,713

## 5. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Interest income	185,631	237,322
Government grants	5,483	11,577
Dividend income from equity instruments at FVTOCI	338,767	10,722
Rental income, net of negligible outgoings	2,389	4,036
Sales of scrap materials	1,530	869
Finance lease interest income	3,937	5,613
Sundries	5,003	21,723
	<b>542,740</b>	291,862

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 6. OTHER GAINS AND LOSSES, NET

	2025 HK\$'000	2024 HK\$'000
Net (losses) gains on disposal/written off of property, plant and equipment	<b>(428)</b>	164
Gain arising from dilution of equity interest of an associate (note (i))	–	350,233
Gain on disposal of an associate (note (ii))	–	78,138
Net exchange gains (losses)	<b>8,315</b>	(8,139)
Reversal of (allowance for) impairment losses (note (iii)):		
– trade receivables	<b>34,554</b>	(55,342)
– contract assets	<b>2,045</b>	(4,431)
– other receivables	<b>(1,420)</b>	1,501
– finance lease receivables	<b>(54)</b>	1,468
Decrease in fair value of investment properties (Note 15)	<b>(8,111)</b>	(12,453)
Net fair value gains on financial assets held for trading		
– listed	<b>3,389</b>	1,738
– unlisted	<b>22,903</b>	1,476
	<b>61,193</b>	354,353

notes:

- (i) On 25 December 2024, one of the equity holders of Research Institute, an independent third party of the Group, completed an unilateral capital injection of RMB300,000,000 into Research Institute resulting a dilution of the Group's equity interest in it to 31.05%. Since then, the Group lost its significant influence over Research Institute and has accounted for the remaining 31.05% equity interest in Research Institute as equity instrument at FVTOCI (see Note 3 for detail), whose fair value at the date of dilution of RMB825,897,000 was determined based on the transaction price by reference to the unilateral capital injection by the aforesaid equity holder on 25 December 2024. The difference between the carrying amount of Research Institute of RMB506,134,000 and the fair value retained resulted in the recognition of a gain arising from dilution of equity interest in Research Institute of RMB319,763,000 (equivalent to approximately HK\$350,233,000) in the consolidated statement of profit or loss for the year ended 31 December 2024.
- (ii) During the year ended 31 December 2024, the Group disposed of its 24.65% equity interest in Tianjin Tanabe Seiyaku Co., Ltd. (天津田邊製藥有限公司) at a consideration of RMB120,292,000 (equivalent to approximately HK\$131,755,000). Accordingly, a gain on disposal of an associate of RMB71,340,000 (equivalent to approximately HK\$78,138,000) had been recognised in the consolidated statement of profit or loss.
- (iii) Details of impairment assessment for the years ended 31 December 2025 and 2024 are set out in Note 45(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 7. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest expenses on bank borrowings	94,633	120,058
Interest on lease liabilities	583	672
	<b>95,216</b>	120,730

## 8. TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	68,765	66,984
Under (over) provision in prior years	21,206	(4,857)
Deferred taxation (Note 35)	(13,756)	22,662
	<b>76,215</b>	84,789

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 8. TAX EXPENSE (Continued)

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

	2025 HK\$'000	2024 HK\$'000
Profit before tax	<b>831,326</b>	885,954
Less: share of net profit of associates and joint venture accounted for using the equity method	<b>(441,234)</b>	(419,176)
	<b>390,092</b>	466,778
Calculated at applicable tax rates	<b>83,856</b>	112,145
Income not subject to taxation	<b>(47,080)</b>	(70,643)
Expenses not deductible for taxation purposes	<b>18,233</b>	30,432
Under (over) provision in prior years	<b>21,206</b>	(4,857)
Tax losses not recognised	–	17,712
Tax expense	<b>76,215</b>	84,789

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. As the Group's estimated effective tax rates of nearly all the jurisdictions in which the Group operates are higher than 15%, the resulting top-up tax is assessed to be insignificant to the Group and therefore, there is no disclosure on the Group's exposure to the Pillar Two income taxes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 9. PROFIT FOR THE YEAR

	2025 HK\$'000	2024 HK\$'000
Profit for the year is arrived at after charging:		
Employees' benefits expense (including directors' emoluments) (Note 10)	<b>658,504</b>	693,544
Cost of inventories recognised as an expense	<b>1,819,670</b>	1,762,580
Depreciation		
– charged to cost of sales	<b>134,131</b>	111,879
– charged to administrative expenses	<b>50,842</b>	56,679
– charged to selling expenses	<b>360</b>	380
– charged to other operating expenses	<b>9,136</b>	7,051
Depreciation of land use rights	<b>6,489</b>	5,578
Amortisation of intangible assets	<b>2,200</b>	4,929
Short-term lease expenses on		
– plants, pipelines and networks	<b>10,671</b>	21,576
– land and buildings	<b>5,907</b>	4,158
Auditor's remuneration		
– audit services	<b>7,706</b>	8,874
– non-audit services	<b>2,410</b>	2,505
Research and development costs charged to other operating expenses	<b>161,448</b>	167,796

## 10. EMPLOYEES' BENEFITS EXPENSE

	2025 HK\$'000	2024 HK\$'000
Wages, salaries, bonus and social security costs	<b>658,504</b>	693,544

The total expense recognised in profit or loss of HK\$164,455,000 (2024: HK\$162,284,000) represents contributions payable to retirement benefits schemes by the Group at rates specified in the rules of the schemes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 10. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

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

**For the year ended 31 December 2025**

Name of director	Fees HK\$'000	Salaries and other benefits <sup>(i)</sup> HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Share-based payment expense HK\$'000	Total HK\$'000
<i>Executive Directors:</i>						
Teng Fei <sup>(ii)</sup>	-	-	-	-	-	-
Zhai Xinxiang	-	531	332	-	-	863
Xia Binhui <sup>(ii)</sup>	-	-	-	-	-	-
<i>Non-Executive Director:</i>						
Sun Lijun <sup>(ii)</sup>	-	-	-	-	-	-
<i>Independent Non-Executive Directors:</i>						
Ng Yi Kum, Estella	382	60	-	-	-	442
Wong Shiu Hoi, Peter	382	60	-	-	-	442
Lau Ka Keung	382	60	-	-	-	442
Sin Hendrick	382	60	-	-	-	442
	<b>1,528</b>	<b>771</b>	<b>332</b>	<b>-</b>	<b>-</b>	<b>2,631</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 10. EMPLOYEES' BENEFITS EXPENSE (Continued)

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

For the year ended 31 December 2024

Name of director	Fees HK\$'000	Salaries and other benefits <sup>(i)</sup> HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Share-based payment expense HK\$'000	Total HK\$'000
<i>Executive Directors:</i>						
Teng Fei <sup>(ii)</sup>	-	-	-	-	-	-
Zhai Xinxiang	-	539	206	-	-	745
Xia Binhui <sup>(iii)</sup>	-	-	-	-	-	-
Wang Gang <sup>(iv)</sup>	-	-	-	-	-	-
<i>Non-Executive Director:</i>						
Sun Lijun <sup>(v)</sup>	-	-	-	-	-	-
<i>Independent Non-Executive Directors:</i>						
Ng Yi Kum, Estella	382	60	-	-	-	442
Wong Shiu Hoi, Peter	382	60	-	-	-	442
Lau Ka Keung	382	60	-	-	-	442
Sin Hendrick	382	60	-	-	-	442
	1,528	779	206	-	-	2,513

- (i) Other benefits include allowance, insurance premium, leave pay and gratuity on retirement.
- (ii) During the years ended 31 December 2025 and 2024, the director's emoluments were borne by respective intermediate shareholders.
- (iii) Appointed on 30 December 2024.
- (iv) Resigned on 27 March 2024.
- (v) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.
- (vi) The emoluments of non-executive director and independent non-executive directors shown above were for their services as directors of the Company.
- (vii) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended 31 December 2025 and 2024.
- (viii) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 10. EMPLOYEES' BENEFITS EXPENSE (Continued)

### (b) Five highest paid individuals

The five highest paid individuals of the Group include a director (2024: one director), and his emolument is shown in Note 10(a) above. The emoluments of the remaining four (2024: four) individuals with the highest emoluments were as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	3,495	3,664
Discretionary bonuses	684	598
Retirement benefits scheme contributions	72	54
	<b>4,251</b>	4,316

The emoluments of the four (2024: four) highest paid individuals who are not the directors of the Company fell within the following bands:

	2025	2024
Emolument bands (HK\$)		
500,000 – 1,000,000	2	2
1,000,001 – 1,500,000	1	1
1,500,001 – 2,000,000	1	1
	<b>4</b>	4

### (c) Emoluments of senior management

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

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	2,274	2,274
Discretionary bonuses	474	484
Retirement benefits scheme contributions	36	36
	<b>2,784</b>	2,794

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

	2025	2024
Emolument bands (HK\$)		
1,000,001 – 2,000,000	2	2

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 11. DIVIDENDS

	2025 HK\$'000	2024 HK\$'000
Dividends recognised as distribution during the year		
– 2025 interim dividend, paid – HK5.18 cents per ordinary share (2024: HK5.18 cents per ordinary share)	<b>55,569</b>	55,569
– 2024 final dividend, paid – HK8.82 cents per ordinary share (2023: HK8.80 cents per ordinary share)	<b>94,618</b>	94,404
	<b>150,187</b>	149,973

A final dividend of HK8.82 cents per ordinary share (2024: HK8.82 cents per ordinary share) for the year ended 31 December 2025, amounting to approximately HK\$94,618,000 (2024: HK\$94,618,000), has been proposed by the board of directors of the Company and will be subject to the approval by the shareholders at the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE

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

<b>Earnings</b>	<b>2025 HK\$'000</b>	2024 HK\$'000
Profit attributable to owners of the Company for the purpose of basic earnings per share	<b>427,942</b>	548,069
Effect of dilutive potential ordinary shares arising from restricted shares incentive scheme of Lisheng Pharmaceutical	<b>(134)</b>	–
Profit attributable to owners of the Company for the purpose of diluted earnings per share	<b>427,808</b>	548,069

<b>Number of shares</b>	<b>2025 Thousand</b>	2024 Thousand
Number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,072,770</b>	1,072,770

The computation of the diluted earnings per share for the year ended 31 December 2024 did not include the unvested restricted shares granted by Lisheng Pharmaceutical, since it had no dilutive effect.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leased properties HK\$'000	Plant and machinery HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Others HK\$'000	Total HK\$'000
<b>COST</b>								
At 1 January 2025	2,368,241	77,382	2,221,980	189,079	15,460	58,259	17,779	4,948,180
Exchange differences	53,718	622	55,365	3,786	306	1,270	380	115,447
Additions	17,351	1,638	35,911	4,769	15	16,005	2,834	78,523
Transfers	1,981	–	27,884	322	(351)	(29,867)	31	–
Disposals/write off	(19,938)	–	(15,067)	(1,859)	(1,282)	(1,043)	(119)	(39,308)
<b>At 31 December 2025</b>	<b>2,421,353</b>	<b>79,642</b>	<b>2,326,073</b>	<b>196,097</b>	<b>14,148</b>	<b>44,624</b>	<b>20,905</b>	<b>5,102,842</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 January 2025	991,799	52,839	1,594,432	136,361	11,413	22,364	13,183	2,822,391
Exchange differences	22,101	293	40,097	2,517	213	570	407	66,198
Charge for the year	80,184	11,075	93,854	4,026	169	–	5,161	194,469
Disposals/write off	(18,448)	–	(11,544)	(1,766)	(1,219)	–	(83)	(33,060)
<b>At 31 December 2025</b>	<b>1,075,636</b>	<b>64,207</b>	<b>1,716,839</b>	<b>141,138</b>	<b>10,576</b>	<b>22,934</b>	<b>18,668</b>	<b>3,049,998</b>
<b>CARRYING VALUE</b>								
<b>At 31 December 2025</b>	<b>1,345,717</b>	<b>15,435</b>	<b>609,234</b>	<b>54,959</b>	<b>3,572</b>	<b>21,690</b>	<b>2,237</b>	<b>2,052,844</b>
<b>COST</b>								
At 1 January 2024	2,369,060	54,303	2,140,935	158,184	16,498	69,802	13,660	4,822,442
Exchange differences	(46,398)	(429)	(46,366)	(2,986)	(292)	(1,364)	(359)	(98,194)
Acquisition of a subsidiary (Note 43)	41,375	–	16,668	–	–	–	38	58,081
Additions	15	23,508	106,858	35,676	526	80,422	4,514	251,519
Transfers	4,206	–	11,319	–	–	(15,525)	–	–
Disposals/write off	(17)	–	(7,434)	(1,795)	(1,272)	(75,076)	(74)	(85,668)
<b>At 31 December 2024</b>	<b>2,368,241</b>	<b>77,382</b>	<b>2,221,980</b>	<b>189,079</b>	<b>15,460</b>	<b>58,259</b>	<b>17,779</b>	<b>4,948,180</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 January 2024	944,544	42,930	1,549,818	127,030	12,678	22,858	10,649	2,710,507
Exchange differences	(18,041)	(168)	(33,201)	(2,079)	(207)	(494)	(268)	(54,458)
Charge for the year	65,296	10,077	84,560	13,103	151	–	2,802	175,989
Disposals/write off	–	–	(6,745)	(1,693)	(1,209)	–	–	(9,647)
<b>At 31 December 2024</b>	<b>991,799</b>	<b>52,839</b>	<b>1,594,432</b>	<b>136,361</b>	<b>11,413</b>	<b>22,364</b>	<b>13,183</b>	<b>2,822,391</b>
<b>CARRYING VALUE</b>								
<b>At 31 December 2024</b>	<b>1,376,442</b>	<b>24,543</b>	<b>627,548</b>	<b>52,718</b>	<b>4,047</b>	<b>35,895</b>	<b>4,596</b>	<b>2,125,789</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

notes:

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

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

- (b) The Group as lessee

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

	<b>Leased properties HK\$'000</b>
<b>As at 31 December 2025</b>	
Carrying amount	<b>15,435</b>
As at 31 December 2024	
Carrying amount	24,543
<b>For the year ended 31 December 2025</b>	
Depreciation charged	<b>11,075</b>
For the year ended 31 December 2024	
Depreciation charged	10,077
	<b>2025 HK\$'000</b>
	2024 HK\$'000
Total cash outflows for leases	<b>27,816</b>
	36,077
Additions to right-of-use-assets	<b>1,638</b>
	23,508

For both years, the Group leases various offices and warehouses for its operations in Hong Kong and the PRC. Lease contracts are entered into for fixed term of 2 to 10 years (2024: 2 to 10 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2025, included in the carrying amount of leased properties of property, plant and equipment are (i) offices of HK\$3,722,000 (2024: HK\$10,128,000); and (ii) warehouses of HK\$11,713,000 (2024: HK\$14,415,000).

In addition, lease liabilities of HK\$1,638,000 (2024: HK\$23,508,000) are recognised with related right-of-use assets of HK\$1,638,000 (2024: HK\$23,508,000) during the year ended 31 December 2025.

As at 31 December 2025, the carrying amount of right-of-use assets and lease liabilities were HK\$15,435,000 (2024: HK\$24,543,000) and HK\$15,435,000 (2024: HK\$24,132,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 14. LAND USE RIGHTS

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

The Group as lessee

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

	Leasehold land HK\$'000	Land use rights HK\$'000	Total HK\$'000
<b>As at 31 December 2025</b>			
Carrying amount	259,835	213,124	472,959
As at 31 December 2024			
Carrying amount	260,132	213,956	474,088
<b>For the year ended 31 December 2025</b>			
Depreciation charged	297	6,192	6,489
For the year ended 31 December 2024			
Depreciation charged	297	5,281	5,578

## 15. INVESTMENT PROPERTIES

	HK\$'000
<b>FAIR VALUE</b>	
At 1 January 2024	206,954
Decrease in fair value recognised in profit or loss (Note 6)	(12,453)
Exchange differences	(4,296)
At 31 December 2024	<b>190,205</b>
Decrease in fair value recognised in profit or loss (Note 6)	<b>(8,111)</b>
Exchange differences	<b>4,728</b>
<b>At 31 December 2025</b>	<b>186,822</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 15. INVESTMENT PROPERTIES (Continued)

notes:

- (a) The investment properties represent land and buildings in the PRC.
- (b) All of the Group's property interests held to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.
- (c) The fair values as at 31 December 2025 have been arrived at based on a valuation carried out by Asset Appraisal Limited (2024: HG Appraisal & Consulting Limited), an independent professional valuer not connected with the Group. The valuation was determined either on the basis of capitalisation of net rental income derived from existing tenancies or by reference to comparable market transactions. There has been no change from the valuation technique used in the prior year.
- (d) In estimating the fair value of the properties, the highest and best use of the properties is their current use.
- (e) Following are the key inputs used in valuing the investment properties:

Description	Fair value hierarchy	Fair value at 31 December		Valuation techniques	Key unobservable inputs	Range	Relationship of unobservable input to fair value
		2025 HK\$'000	2024 HK\$'000				
Property 1 in Tianjin Level 3		<b>83,057</b>	86,933	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	5.5%; 331.08 and 5,941 (2024: 4.5% – 5%; 331.07 and 6,320)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
Property 2 in Tianjin Level 3		<b>51,384</b>	51,339	Market comparable approach	Selling price per square meter in RMB	4,187 – 5,402 (2024: 4,360 – 5,780)	The higher the selling price per square meter, the higher the fair value
Property 3 in Tianjin Level 3		<b>52,381</b>	51,933	Income method – Direct capitalisation approach	Capitalisation rate; annual unit rent in RMB and selling price per square meter in RMB	5.5%; 245.28 and 2,635 (2024: 5% – 5.5%; 245.23 and 2,620)	The higher the capitalisation rate, the lower the fair value; the higher the annual unit rent, the higher the fair value; and the higher the selling price per square meter, the higher the fair value
		<b>186,822</b>	190,205				

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2025 HK\$'000	2024 HK\$'000
The Group's interests in associates and joint venture		
– Listed shares in Hong Kong		
– Tianjin Port	<b>3,879,534</b>	3,716,230
– Unlisted shares in the PRC		
– Otis China	<b>849,576</b>	928,920
– TEDA Power	<b>1,519,735</b>	1,419,839
	<b>6,248,845</b>	6,064,989
Market value of listed shares		
– Tianjin Port	<b>866,431</b>	827,635

Share of associates' and joint venture's taxation for the year ended 31 December 2025 of HK\$160,924,000 (2024: HK\$182,627,000) is included in the consolidated statement of profit or loss as share of net profit of associates and joint venture accounted for using the equity method. Impairment loss of approximately HK\$300,000,000 was recognised on an investment accounted for using the equity method – Tianjin Port in prior years. Particulars regarding impairment testing on an investment accounted for using the equity method is disclosed in Note 21(a).

Details of principal associates which in the opinion of the directors of the Company materially affect the results and/or net assets of the Group as at 31 December 2025 are set out in Note 49.

### Summarised financial information of material associates

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

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

	Tianjin Port		Otis China		TEDA Power	
	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Current assets	<b>8,877,809</b>	9,336,375	<b>12,373,853</b>	13,154,966	<b>2,873,316</b>	2,396,061
Non-current assets	<b>32,292,302</b>	31,271,086	<b>4,731,495</b>	4,171,200	<b>2,281,406</b>	1,758,359
Current liabilities	<b>(5,619,992)</b>	(6,035,896)	<b>(13,701,149)</b>	(12,341,275)	<b>(1,114,925)</b>	(830,791)
Non-current liabilities	<b>(3,911,760)</b>	(3,936,230)	<b>(21,122)</b>	(20,712)	<b>(865,668)</b>	(354,117)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### Summarised financial information of material associates (Continued)

	Tianjin Port		Otis China		TEDA Power	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December	31 December	31 December
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>14,466,809</b>	13,712,027	<b>16,542,208</b>	18,631,843	<b>2,477,568</b>	2,399,416
Profit for the year, attributable to owners of the associate	<b>666,637</b>	686,588	<b>1,192,070</b>	1,397,556	<b>133,417</b>	122,078
Other comprehensive income (expense) for the year, attributable to owners of the associate	<b>379,008</b>	(255,205)	<b>(6,957)</b>	(75,189)	<b>116,625</b>	(76,653)
Total comprehensive income for the year, attributable to owners of the associate	<b>1,045,645</b>	431,383	<b>1,185,113</b>	1,322,367	<b>250,042</b>	45,425
Dividends received from associates during the year	<b>57,928</b>	61,160	<b>339,956</b>	346,385	-	-

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

	Tianjin Port		Otis China		TEDA Power	
	At	At	At	At	At	At
	31 December	31 December	31 December	31 December	31 December	31 December
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity attributable to owners of the associate	<b>14,522,047</b>	13,752,250	<b>4,141,071</b>	4,655,738	<b>3,174,129</b>	2,969,512
Proportion of the Group's ownership interest in the associate	<b>3,049,630</b>	2,887,973	<b>828,214</b>	931,148	<b>1,494,697</b>	1,398,343
Goodwill	<b>820,729</b>	820,729	-	-	-	-
Other adjustments	<b>9,175</b>	7,528	<b>21,362</b>	(2,228)	<b>25,038</b>	21,496
Carrying amount of the Group's interest in the associate	<b>3,879,534</b>	3,716,230	<b>849,576</b>	928,920	<b>1,519,735</b>	1,419,839

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
The Group's share of profit	–	4,314
The Group's share of other comprehensive expenses	–	(670)
The Group's share of total comprehensive income	–	3,644
Aggregate carrying amount of the Group's interests in these investments	–	–
Dividends received from associates and joint venture	–	30,746

The Group has discontinued recognition of its share of losses of an investment accounted for using the equity method. The amounts of cumulative unrecognised share of losses for the year is as follow:

	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
The unrecognised owner's share of loss of an investment accounted for using the equity method	<b>(7,418)</b>	(7,563)
Cumulative unrecognised owner's share of losses of an investment accounted for using the equity method	<b>(28,619)</b>	(21,201)

## 17. GOODWILL

	HK\$'000
At 1 January 2024	–
Arising on acquisition of a subsidiary (Note 43)	78,769
Exchange difference	(1,446)
At 31 December 2024	<b>77,323</b>
Exchange difference	<b>2,080</b>
<b>At 31 December 2025</b>	<b>79,403</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 18. INTANGIBLE ASSETS

	<b>Patents</b> <b>HK\$'000</b> (note)
<b>COST</b>	
At 1 January 2024	100,132
Additions	1,163
Acquired on acquisition of a subsidiary (Note 43)	60,304
Disposal	(9,300)
Exchange differences	(3,156)
At 31 December 2024	<b>149,143</b>
Exchange differences	<b>3,799</b>
<b>At 31 December 2025</b>	<b>152,942</b>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1 January 2024	99,307
Exchange differences	(2,214)
Charge for the year	4,929
At 31 December 2024	<b>102,022</b>
Exchange differences	<b>2,630</b>
Charge for the year	<b>2,200</b>
<b>At 31 December 2025</b>	<b>106,852</b>
<b>CARRYING VALUE</b>	
<b>At 31 December 2025</b>	<b>46,090</b>
At 31 December 2024	47,121

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

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

Patents 10 to 20 years

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

	notes	2025 HK\$'000	2024 HK\$'000
<b>Equity securities</b>			
Listed, at market value	(i)	<b>85,781</b>	84,228
Unlisted	(ii)	<b>1,674,559</b>	2,181,392
		<b>1,760,340</b>	2,265,620
			<b>HK\$'000</b>
At 1 January 2024			1,719,518
Exchange differences			(43,884)
Additions (Note 6)			908,340
Change in fair value			(318,354)
At 31 December 2024			<b>2,265,620</b>
Exchange differences			<b>48,015</b>
Disposal			<b>(12,626)</b>
Change in fair value			<b>(540,669)</b>
<b>At 31 December 2025</b>			<b>1,760,340</b>

notes:

- (i) The listed securities mainly represent the Group's 4.20% (2024: 4.20%) equity interest in Binhai Investment Company Limited ("**Binhai Investment**") which is listed on the Main Board of the Stock Exchange.

As at 31 December 2025, the market value of the Group's equity interest in Binhai Investment was HK\$68,512,000 (2024: HK\$66,770,000) and the unrealised fair value gain of HK\$1,742,000 (2024: loss of HK\$12,561,000) was recognised in other comprehensive income.

- (ii) The unlisted equity securities mainly represented the Group's 12.15% (2024: 12.15%) equity interest in Tasly Bio-Medicine Industry Group Co., Ltd. (天士力生物醫藥產業集團有限公司) ("**Tasly Group**") and 31.05% (2024: 31.05%) equity interest in Research Institute. Tasly Group is a conglomerate in the PRC and among its principal assets is holding Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), which is listed on the Shanghai Stock Exchange and is principally engaged in research and development, manufacturing and distribution of pharmaceutical products in the PRC.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 20. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for machinery. The terms of finance leases entered into usually for 3 years (2024: 3 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

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

As at 31 December 2025, finance lease receivables amounted to HK\$114,345,000 (2024: HK\$111,450,000), net of allowance for credit losses of HK\$826,000 (2024: HK\$752,000).

	<b>Minimum lease payments 2025 HK\$'000</b>	<b>Present value of minimum lease payments 2025 HK\$'000</b>	Minimum lease payments 2024 HK\$'000	Present value of minimum lease payments 2024 HK\$'000
Finance lease receivables comprise:				
Within one year	–	–	15,437	14,910
More than one year but not more than two years	<b>87,256</b>	<b>83,560</b>	–	–
More than two years	<b>32,892</b>	<b>30,785</b>	106,872	96,540
Gross investment in the lease	<b>120,148</b>	<b>114,345</b>	122,309	111,450
Less: unearned finance income	<b>(5,803)</b>	–	(10,859)	–
Present value of minimum lease payment receivables	<b>114,345</b>	<b>114,345</b>	111,450	111,450
Analysed as:				
Current		–		14,910
Non-current		<b>114,345</b>		96,540
		<b>114,345</b>		111,450

Interest rates implicit in the above finance leases ranging from 2.5% to 3.9% per annum (2024: ranging from 5.45% to 5.5% per annum).

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

Details of impairment assessment are set out in Note 45.

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

- (a) Due to the fact that the carrying value of the Group's interest in Tianjin Port exceeded its market value of HK\$866,431,000 (2024: HK\$827,635,000) at the end of the reporting period, the management of the Group has performed an impairment testing with the basis of the recoverable amount and major underlying assumptions summarised below.

As at 31 December 2025, the recoverable amount of the interest in Tianjin Port, was determined from value in use calculation. The calculation uses discounted cash flows which require the estimation of key assumptions and inputs including discount rates, growth rate and expected dividend income. The cash flows of the expected dividend income are extrapolated using a steady 5% (2024: 5%) per annum growth rate with a discount rate of 6% (2024: 6%) per annum. Such estimation is based on the historical actual dividend received and the management's expectations of the maintainable dividend income taking into consideration of both internal factors and external market environment.

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

- (b) As at 31 December 2025, the management of the Group conducted an impairment assessment on the non-current assets (including property, plant and equipment and land use rights) of Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) ("**Tianfa Equipment**") in the electrical and mechanical segment. As at 31 December 2025, the carrying amounts of the property, plant and equipment and land use rights of Tianfa Equipment are HK\$233,229,000 and HK\$56,476,000, respectively (2024: HK\$247,010,000 and HK\$56,507,000, respectively).

The estimated recoverable amounts of the non-current assets of Tianfa Equipment are measured by a combination of market approach and depreciated replacement cost approach, in assessing the land portion of the property and the buildings and structures standing on the land respectively. As at 31 December 2025 and 2024, the estimated recoverable amounts are higher than the carrying amounts of these non-current assets, no further impairment was made.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 22. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	98,216	88,085
Work in progress	79,661	73,843
Finished goods	164,465	139,112
Consumable stocks	1,960	3,682
	<b>344,302</b>	304,722

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

	2025 HK\$'000	2024 HK\$'000	At 1 January 2024 HK\$'000	Maximum amount outstanding during the year	
				2025 HK\$'000	2024 HK\$'000
Amounts due from investments accounted for using the equity method	13,167	16,086	13,213	16,086	16,086
Amount due from ultimate holding company	275	183	305	275	305

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

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

	2025 HK\$'000	2024 HK\$'000	At 1 January 2024 HK\$'000	Maximum amount outstanding during the year	
				2025 HK\$'000	2024 HK\$'000
Amounts due from related companies	127,002	99,926	88,039	127,002	99,926
Amounts due to related companies	157,570	141,058			

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 25. CONTRACT ASSETS

	2025 HK\$'000	2024 HK\$'000
Machinery construction contracts	62,809	156,706

As at 1 January 2024, contract assets amounted to HK\$107,092,000.

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

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

### Machinery construction contracts

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

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

As at 31 December 2025, included in contract assets are retentions of HK\$7,694,000 (2024: HK\$11,283,000) which is expected to be realised beyond twelve months from the end of the reporting period. The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

	notes	2025 HK\$'000	2024 HK\$'000
Trade receivables			
Trade receivables – exposure at default	(a), (b)	<b>1,374,789</b>	1,312,897
Trade receivables – gross		<b>1,374,789</b>	1,312,897
Less: allowance for credit losses	(b)	<b>(123,367)</b>	(154,792)
Trade receivables – net		<b>1,251,422</b>	1,158,105
Trade receivables backed by notes	(d)	<b>187,860</b>	243,757
	(c)	<b>1,439,282</b>	1,401,862
Other receivables, deposits and prepayments		<b>389,248</b>	426,410

As at 1 January 2024, trade receivables (net of allowance) (including those backed by notes) from contracts with customers amounted to HK\$1,390,103,000.

notes:

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

Annual government supplemental income receivables do not have credit terms and the amounts are finalised by the relevant bureaus of TEDA from time to time. Continuous settlements have been received by the Group over the years and the balance of which as at 31 December 2025 was HK\$790,919,000 (2024: HK\$824,103,000).

- (b) As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK\$894,023,000 (2024: HK\$905,127,000) (excluding those backed by notes) which are past due as at the reporting date. Out of the past due balances, HK\$785,936,000 (2024: HK\$690,173,000) (excluding those backed by notes) has been past due 90 days or more and is not considered by the management of the Group as in default having considered the subsequent and historical repayment from these trade debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2025 and 2024 are set out in Note 45(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

(Continued)

notes: (Continued)

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

	2025 HK\$'000	2024 HK\$'000
Within 30 days	353,579	196,441
31 to 90 days	173,313	293,212
91 to 180 days	203,187	236,725
181 to 365 days	203,156	393,547
Over 1 year	506,047	281,937
	<b>1,439,282</b>	1,401,862

(d) As at 31 December 2025, total trade receivables backed by notes amounting to HK\$187,860,000 (2024: HK\$243,757,000) are with maturity period of less than one year.

As at 31 December 2025, trade receivables backed by notes with an aggregate carrying amount of HK\$19,707,000 (2024: HK\$10,523,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and payables.

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

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

	2025 HK\$'000	2024 HK\$'000
Investments held for trading:		
Listed shares in Hong Kong	9,556	8,427
Certificate of deposits	–	77,739
Listed funds in the PRC	11,115	11,003
Unlisted funds in the PRC	710,304	453,135
Unlisted trust funds in the PRC	223,785	135,084
	<b>954,760</b>	685,388
Market values of listed shares	9,556	8,427
Market values of listed funds	11,115	11,003
Analysed as:		
Current	883,799	653,229
Non-current	70,961	32,159
	<b>954,760</b>	685,388

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

## 28. STRUCTURED DEPOSITS

As at 31 December 2025, the Group placed with four licensed commercial banks (2024: seven licensed commercial banks) in the PRC for principal-protected structured deposits denominated in Renminbi with maturity of 1 to 11 months (2024: 1 to 3 months) after the end of the reporting period. The expected annual interest rate for structured deposits was indicated at 0.1% to 4.4% per annum (2024: at 1.1% to 2.6% per annum), however, the actual interest rate to be received is uncertain until maturity. Such structured deposits were accounted for as financial assets at FVTPL.

## 29. ENTRUSTED DEPOSITS

As at 31 December 2025, the entrusted deposits denominated in Renminbi were placed with one financial institution (2024: two financial institutions) in the PRC, with maturity from 6 to 12 months (2024: from 6 to 12 months) after the end of the reporting period. The deposits carry the expected rates of return at 3.5% to 4.0% per annum (2024: 4.0% per annum).

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

	2025 HK\$'000	2024 HK\$'000
Cash at banks and in hand	2,039,992	2,617,821
Time deposits with maturity less than three months	762,386	908,054
Balances with other financial institutions	8,687	9,238
Cash and cash equivalents	2,811,065	3,535,113
Time deposits with maturity over three months	3,919,434	2,617,777
Restricted bank balances (note)	70,131	119,178
	6,800,630	6,272,068
Analysed as:		
Current	4,186,593	6,033,334
Non-current	2,614,037	238,734
	6,800,630	6,272,068

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 31. SHARE CAPITAL

	Number of shares thousand	Value HK\$'000
Issued and fully paid ordinary shares with no par value: At 1 January 2024, 31 December 2024 and 2025	<b>1,072,770</b>	<b>5,136,285</b>

## 32. RESERVES

	Capital reserve HK\$'000	General reserve HK\$'000 note (i)	Statutory reserves HK\$'000 note (i)	Share- based payment reserve HK\$'000	Other reserves HK\$'000 note (ii)	Exchange reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000 note (iii)	Sub-total HK\$'000	Retained earnings HK\$'000 note (iv)	Total HK\$'000
At 1 January 2024	17,403	28,986	837,846	976	(1,510,865)	(139,889)	504,089	(261,454)	7,659,960	7,398,506
Profit for the year	-	-	-	-	-	-	-	-	548,069	548,069
Other comprehensive expense for the year	-	-	-	-	-	(221,945)	(99,714)	(321,659)	-	(321,659)
Dividends (Note 11)	-	-	-	-	-	-	-	-	(149,973)	(149,973)
Transfer between reserves	537	366	50,649	-	-	-	-	51,552	(51,552)	-
Dilution of equity interest of an associate	(12,162)	104	-	-	-	-	-	(12,058)	-	(12,058)
Repurchase of shares by a subsidiary (note (v))	(14,651)	-	-	-	-	-	-	(14,651)	-	(14,651)
Disposal of equity instrument at fair value through other comprehensive income (Note 19 (iii))	-	-	-	-	-	-	(4,108)	(4,108)	11,939	7,831
Others	-	147	-	-	-	-	-	147	-	147
<b>At 31 December 2024</b>	<b>(8,873)</b>	<b>29,603</b>	<b>888,495</b>	<b>976</b>	<b>(1,510,865)</b>	<b>(361,834)</b>	<b>400,267</b>	<b>(562,231)</b>	<b>8,018,443</b>	<b>7,456,212</b>
Profit for the year	-	-	-	-	-	-	-	-	427,942	427,942
Other comprehensive income (expense) for the year	-	-	-	-	-	305,527	(154,934)	150,593	-	150,593
Dividends (Note 11)	-	-	-	-	-	-	-	-	(150,187)	(150,187)
Transfer between reserves	974	(36,381)	78,240	-	-	(1,823)	-	41,010	(41,010)	-
Repurchase of shares by a subsidiary (note v)	6,462	6,665	-	-	-	-	-	13,127	-	13,127
Shares of a subsidiary vested	(3,272)	(1,297)	-	-	-	-	-	(4,569)	-	(4,569)
Others	-	(5,303)	-	-	-	-	(2,686)	(7,989)	4,320	(3,669)
<b>At 31 December 2025</b>	<b>(4,709)</b>	<b>(6,713)</b>	<b>966,735</b>	<b>976</b>	<b>(1,510,865)</b>	<b>(58,130)</b>	<b>242,647</b>	<b>(370,059)</b>	<b>8,259,508</b>	<b>7,889,449</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. RESERVES (Continued)

notes:

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

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

- (ii) Other reserves mainly represented (a) reserves arising from reorganisation in prior years; (b) the merger reserve arising from acquisition of Thrive Leap Limited ("**Thrive Leap**") in 2015, being the difference between the consideration for the acquisition and the amount of share capital of Thrive Leap; and (c) reserve arising from assets restructuring of Tianjin Port in 2017; and (d) reserve arising from capital contribution from non-controlling interest of Tianjin Port in 2022.
- (iii) The FVTOCI reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI that have been recognised in other comprehensive income.
- (iv) Retained earnings arising from investments accounted for using the equity method amounted to HK\$1,296,949,000 (2024: HK\$1,253,599,000).
- (v) During the year ended 31 December 2025, Lisheng Pharmaceutical repurchased a total of 5,015,380 (2024: 2,194,600) of its ordinary shares at the then prevailing market price, ranging from RMB17.28 to RMB18.50 (equivalent to approximately HK\$18.86 to HK\$20.20) (2024: RMB17.48 to RMB17.86 (equivalent to approximately HK\$19.15 to HK\$19.50)) per ordinary shares of Lisheng Pharmaceutical.

## 33. RESTRICTED SHARES INCENTIVE SCHEME OF A SUBSIDIARY

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

The total number of restricted shares which may be granted under the 2022 Incentive Scheme shall not in aggregate exceed 1% of the total number of shares of Lisheng Pharmaceutical in issue as at the date of approval of the 2022 Incentive Scheme, i.e. 1,824,549 restricted shares. On 23 July 2024, the board of directors of Lisheng Pharmaceutical approved the adjustment of the total number of restricted shares which may be granted under the 2022 Incentive Scheme to 2,108,400 restricted shares.

Lisheng Pharmaceutical further implemented a restricted shares incentive scheme (the "**2024 Incentive Scheme**") which was approved and adopted by the shareholders of Lisheng Pharmaceutical on 5 February 2025 and is valid and effective for a period of 10 years commencing from 5 February 2025. Under the 2024 Incentive Scheme, Lisheng Pharmaceutical intends to grant up to 7,210,000 restricted shares to the participants, representing approximately 2.8% of the total number of shares of Lisheng Pharmaceutical in issue as at the date of approval of the 2024 Incentive Scheme.

According to the 2022 Incentive Scheme and 2024 Incentive Scheme, 33%, 33% and 34% of the shares would be vested over a requisite service period of one year commencing from the first trading day of the third year, the fourth year and the fifth year respectively after the date of registration of shares, subject to the performance targets of Lisheng Pharmaceutical and the eligible employees. If the vesting conditions are not met upon the expiry of the vesting period, Lisheng Pharmaceutical would repurchase the restricted shares from the eligible employees at original grant price and cancelled the restricted shares.

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

On 9 December 2022, total of 1,538,000 restricted shares were granted to certain eligible employees at an initial grant price of RMB13.66 per share under the 2022 Incentive Scheme. On 23 July 2024, total of 602,400 restricted shares were granted to the eligible employees as the shareholders of Lisheng Pharmaceutical has approved to issue 4 bonus shares for every 10 shares to all shareholders at a revised grant price of RMB9.11 per share. On 20 August 2025, the board of directors of Lisheng Pharmaceutical approved to adjust the repurchase price from RMB9.11 per share to RMB8.76 per share. During the year ended 31 December 2025, a total of 184,929 restricted shares (2024: 57,200 restricted shares) were repurchased and cancelled at RMB8.76 and RMB9.11 per share (2024: RMB9.11 and RMB13.66 per share). Total of 1,267,543 restricted shares were vested during the year ended 31 December 2025.

On 27 September 2023, total of 284,000 restricted shares were granted to certain eligible employees at an initial grant price of RMB12.49 per share under the 2022 Incentive Scheme. On 23 July 2024, total of 113,600 restricted shares were granted to the eligible employees as the shareholders of Lisheng Pharmaceutical has approved to issue 4 bonus shares for every 10 shares to all shareholders at a revised grant price of RMB8.49 per share. On 20 August 2025, the board of directors of Lisheng Pharmaceutical approved to adjust the repurchase price from RMB8.49 per share to RMB8.14 per share. During the year ended 31 December 2025, a total of 33,600 restricted shares (2024: 22,400 restricted shares) were repurchased and cancelled at RMB8.49 per share (2024: RMB8.49 per share). Total of 112,728 restricted shares were vested during the year ended 31 December 2025.

On 12 February 2025, total of 5,770,000 restricted shares were granted to certain eligible employees at an initial grant price of RMB10.59 per share under the 2024 Incentive Scheme. On 20 August 2025, the board of directors of Lisheng Pharmaceutical approved to adjust the repurchase price from RMB10.59 per share to RMB10.24 per share. During the year ended 31 December 2025, a total of 60,000 restricted shares were repurchased and cancelled at RMB10.24 per share.

On 5 December 2025, total of 740,000 restricted shares were granted to certain eligible employees at an initial grant price of RMB10.24 per share under the 2024 Incentive Scheme.

During the year ended 31 December 2025, the cash proceeds received from the 2024 Incentive Scheme amounting to RMB61,104,000 (equivalent to approximately HK\$66,707,000) is included in other payables as Lisheng Pharmaceutical has obligation to repurchase the restricted shares if the vesting conditions are not met (2024: Nil).

During the year ended 31 December 2025, fair value of the restricted shares granted by Lisheng Pharmaceutical determined at the date of grant was RMB46,604,000 (equivalent to approximately HK\$50,878,000) (2024: Nil), which is determined using the fair value of the underlying share price on the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share-based payment reserve.

The Group recognised share-based payment expense of HK\$24,000,000 (2024: HK\$6,252,000) for the year ended 31 December 2025 in relation to the restricted shares incentive schemes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 34. BANK BORROWINGS

	2025 HK\$'000	2024 HK\$'000
<b>Non-current</b>		
Bank borrowings		
– Secured	35,940	–
– Unsecured	1,705,996	24,597
	<b>1,741,936</b>	24,597
<b>Current</b>		
Bank borrowings		
– Secured	27,686	–
– Unsecured	211,074	1,965,216
	<b>238,760</b>	1,965,216
<b>Total borrowings</b>	<b>1,980,696</b>	1,989,813

notes:

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

	2025 HK\$'000	2024 HK\$'000
Bank borrowings:		
Within one year	238,760	1,965,216
More than one year but not more than two years	11,074	10,799
More than two years but not more than five years	1,730,862	13,798
	<b>1,980,696</b>	1,989,813

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

	2025 HK\$'000	2024 HK\$'000
Bank borrowings:		
Renminbi	74,700	74,295
Hong Kong dollar	1,905,996	1,915,518
	<b>1,980,696</b>	1,989,813

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

	2025 %	2024 %
Bank borrowings:		
Renminbi	2.99	3.28
Hong Kong dollar	4.51	5.96

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

(e) On 17 September 2025, the Company obtained a new term banking facility of HK\$1,720,000,000 for a period of 36 months commencing from the date of utilisation. On 9 December 2025, the term loan was drawn down to repay the prior term loan.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 35. DEFERRED TAXATION

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	88,890	78,412
Deferred tax liabilities	(67,044)	(205,253)
<b>Deferred tax assets (liabilities), net</b>	<b>21,846</b>	<b>(126,841)</b>

notes:

- (a) Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$1,895,254,000 (2024: HK\$1,704,141,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
- (b) The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated depreciation HK\$'000	Revaluation of property HK\$'000	Provisions for impairment HK\$'000	Tax losses HK\$'000	Fair value adjustments on business combination HK\$'000	Fair value adjustment on equity instruments at fair value through other comprehensive income HK\$'000	Total HK\$'000
At 1 January 2024	(20,560)	(10,809)	34,856	71,955	(2,715)	(220,573)	(147,846)
Deferred tax credited (charged) to profit or loss	1,143	2,480	(760)	(8,664)	1,071	(17,932)	(22,662)
Deferred tax credited to other comprehensive income	-	-	-	-	-	46,298	46,298
Arising on acquisition of a subsidiary (Note 43)	-	-	590	-	(9,787)	-	(9,197)
Exchange differences	34	3,088	(753)	(391)	223	4,365	6,566
<b>At 31 December 2024</b>	<b>(19,383)</b>	<b>(5,241)</b>	<b>33,933</b>	<b>62,900</b>	<b>(11,208)</b>	<b>(187,842)</b>	<b>(126,841)</b>
Deferred tax credited to profit or loss	2,936	1,812	8,878	130	-	-	13,756
Deferred tax credited to other comprehensive income	-	-	-	-	-	135,573	135,573
Exchange differences	13	(108)	993	457	(286)	(1,711)	(642)
<b>At 31 December 2025</b>	<b>(16,434)</b>	<b>(3,537)</b>	<b>43,804</b>	<b>63,487</b>	<b>(11,494)</b>	<b>(53,980)</b>	<b>21,846</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 36. TRADE PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	401,884	367,172
Trade payables under supplier finance arrangements (note)	78,036	77,465
	<b>479,920</b>	444,637

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

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

	2025 HK\$'000	2024 HK\$'000
Within 30 days	145,903	144,080
31 to 90 days	89,695	39,073
91 to 180 days	68,810	35,765
Over 180 days	175,512	225,719
	<b>479,920</b>	444,637

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

## 37. OTHER PAYABLES AND ACCRUALS

	2025 HK\$'000	2024 HK\$'000
Accruals	764,988	590,970
Other payables	532,734	583,600
	<b>1,297,722</b>	1,174,570

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 38. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Provision of utilities and other related supporting facilities	707,545	602,467
Machinery construction contracts	32,575	23,599
Sale of pharmaceutical products	26,298	43,170
Others	1,994	1,409
	<b>768,412</b>	670,645

As at 1 January 2024, contract liabilities amounted to HK\$632,444,000.

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

	Provision of utilities and other related supporting facilities		Machinery construction contracts		Sale of pharmaceutical products	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount recognised that was included in the contract liabilities balance at the beginning of the year	384,535	285,557	5,085	8,913	43,170	16,528

No revenue recognised in the current year was related to performance obligations that were satisfied in prior years.

### Provision of utilities and other related supporting facilities

The Group requests the customers an upfront payment before supply of heat and thermal power which will give rise to contract liabilities at the beginning of each heating period. The contract balances relate to instances where the utilities are prepaid and will be consumed over the heating period by the customers. The Group expects to realise them within three months from the end of the reporting period.

As at 31 December 2025, included in the contract liabilities are receipt in advance of HK\$707,545,000 (2024: HK\$602,467,000) from provision of utilities and other related supporting facilities. The Group receives a lump sum payment before providing other related supporting facilities including maintenance of pipelines and network to residential customers. This would give rise to contract liabilities that would be amortised over their estimated useful life of 20 years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 38. CONTRACT LIABILITIES (Continued)

### Machinery construction contracts

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

### Sale of pharmaceutical products

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

## 39. LEASE LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Within one year	7,840	10,499
Within a period of more than one year but not more than two years	4,116	7,688
Within a period of more than two years but not more than five years	3,479	5,945
	<b>15,435</b>	24,132
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(7,840)</b>	(10,499)
Amount due for settlement after 12 months shown under non-current liabilities	<b>7,595</b>	13,633

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate from 3.45% to 4.75% (2024: 3.45% to 4.75%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 40. OPERATING LEASES

### The Group as lessors

As at 31 December 2025, all of the properties held for rental purposes have committed lessees for the next 1 to 3 years (2024: 1 to 4 years).

Undiscounted lease payments receivables on leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	5,143	5,015
In the second year	5,143	5,015
In the third year	2,143	5,015
In the fourth year	–	2,090
	<b>12,429</b>	17,135

## 41. CAPITAL COMMITMENTS

	2025 HK\$'000	2024 HK\$'000
Contracted but not provided for in respect of – Additions to property, plant and equipment	<b>19,677</b>	28,596

## 42. PLEDGE OF ASSETS

At the end of the reporting period, restricted bank balances of HK\$70,131,000 (2024: HK\$119,178,000), property, plant and equipment of HK\$64,017,000 (2024: Nil) and land use right of HK\$4,613,000 (2024: Nil) were pledged to financial institutions by the Group to secure general banking facilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 43. ACQUISITION OF A SUBSIDIARY

On 29 December 2023, the Group through Lisheng Pharmaceutical, entered into an equity acquisition agreement (the “**Agreement**”) with Jiangxi Qingchun Kangyuan Group Co., Ltd. (江西青春康源集團有限公司), Jiangxi Qingchun Kangyuan Chinese Medicine Co., Ltd. (江西青春康源中藥股份有限公司) (collectively the “**Vendors**”), Jiangxi Qingchun Kangyuan Pharmaceutical Co., Ltd. (江西青春康源製藥有限公司) (“**Qingchun Kangyuan**”) and Mr. Liu Musheng, the actual controller of the Vendors and Qingchun Kangyuan pursuant to which, Lisheng Pharmaceutical had conditionally agreed to acquire 65% equity interest in Qingchun Kangyuan for a total cash consideration of RMB136,991,855 (equivalent to approximately HK\$150,706,000). The acquisition was completed in February 2024 and the Group obtained control of Qingchun Kangyuan. Qingchun Kangyuan and its subsidiary (collectively the “**Qingchun Kangyuan Group**”) is principally engaged in research and development, production and sales of proprietary Chinese medicine preparations and Chinese herbal extract, with products covering various medicine fields including digestive system, respiratory system, skeletal musculature and systemic anti-infective etc.. The acquisition had been accounted for as an acquisition of business using the acquisition method.

Pursuant to the terms of the Agreement, Qingchun Kangyuan, the Vendors and Mr. Liu Musheng (collectively referred as the “**Guarantors**”) had provided performance guarantee covering the financial years of 2023, 2024, 2025 and 2026 (“**Performance Commitment Period**”) to the Group, among which, the audited consolidated net profit (after deduction of non-recurring profits and losses) (“**Audited Net Profit**”) of Qingchun Kangyuan in the financial year of 2023 should not be less than RMB11,332,200 and, during the Performance Commitment Period, (i) the Audited Net Profit of Qingchun Kangyuan in any financial year shall not be lower than that in the preceding financial year; and (ii) the average growth rate of the Audited Net Profit of Qingchun Kangyuan per annum should not be lower than 10%, and accordingly, the Audited Net Profit of Qingchun Kangyuan in the financial year of 2026 shall not be less than RMB14,731,860 (collectively the “**Performance Guarantee**”). In the event that the Audited Net Profit of Qingchun Kangyuan cannot reach the required level as stipulated under the Performance Guarantee in respect of any relevant year in or the whole period of the Performance Commitment Period, the Guarantors will compensate to Lisheng Pharmaceutical (the “**Profit Guarantee Arrangement**”). Upon review by the Group during the years ended 31 December 2023, 2024 and 2025, the Performance Guarantee has been achieved and no performance compensation is required.

The directors of the Company considered the fair value of Profit Guarantee Arrangement at 31 December 2024 and 2025 is insignificant.

### Consideration

	HK\$'000
Cash	150,706

Acquisition-related costs amounting to approximately HK\$1,489,000 had been excluded from the consideration and had been recognised directly as an expense for the year ended 31 December 2024 within the “general and administrative expenses” line item in the consolidated statement of profit or loss.

## 43. ACQUISITION OF A SUBSIDIARY (Continued)

### Assets and liabilities recognised at the date of acquisition

	HK\$'000
Property, plant and equipment	58,081
Land use rights	11,099
Intangible assets	60,304
Deferred tax assets	590
Inventories	45,910
Trade receivables	31,102
Other receivables, deposits and prepayments	35,220
Cash and cash equivalents	58,844
Trade payables	(15,509)
Other payables and accruals	(103,494)
Contract liabilities	(7,203)
Bank and other borrowings	(51,917)
Current tax liabilities	(2,568)
Deferred tax liabilities	(9,787)
	110,672

The receivables acquired (which principally comprised trade and other receivables) with a fair value of HK\$55,539,000 at the date of acquisition had gross contractual amounts of HK\$56,858,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK\$1,319,000.

### Non-controlling interests

The non-controlling interests, representing 35% of equity interest in Qingchun Kangyuan Group, recognised at the date of acquisition amounted to HK\$38,735,000 was measured by reference to the proportionate share of recognised net assets of Qingchun Kangyuan Group amounted to HK\$110,672,000.

### Goodwill arising on acquisition

	HK\$'000
Consideration	150,706
Plus: non-controlling interests (35% in Qingchun Kangyuan Group)	38,735
Less: recognised amounts of net assets acquired	(110,672)
	78,769

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 43. ACQUISITION OF A SUBSIDIARY (Continued)

### Goodwill arising on acquisition (Continued)

Goodwill arose on the acquisition of Qingchun Kangyuan Group was attributable to its anticipated profitability and a further synergy effect of the existing business of the Group. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

### Net cash inflow on acquisition of Qingchun Kangyuan Group

	HK\$'000
Consideration	150,706
Less: Deposit paid for acquisition in prior year	(110,375)
Less: Unsettled consideration (included in other payables and accruals)	(7,692)
Cash consideration paid in 2024	32,639
Less: Cash and cash equivalents acquired	(58,844)
Net cash inflow on acquisition	(26,205)

Included in the profit for the year ended 31 December 2024 was HK\$16,489,000 attributable to the additional business generated by Qingchun Kangyuan Group. Revenue for the year ended 31 December 2024 included HK\$294,507,000 generated from Qingchun Kangyuan Group.

Had the acquisition of Qingchun Kangyuan Group been completed on 1 January 2024, revenue for the year ended 31 December 2024 of the Group would have been HK\$3,362,785,000, and the profit for the year ended 31 December 2024 would have been HK\$801,192,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor was it intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

	2025 HK\$'000	2024 HK\$'000
Profit before tax	<b>831,326</b>	885,954
Adjustments for:		
Share of net profit of associates and joint venture accounted for using the equity method	<b>(441,234)</b>	(419,176)
Finance costs	<b>95,216</b>	120,730
Finance lease interest income	<b>(3,937)</b>	(5,613)
Interest income	<b>(185,631)</b>	(237,322)
Depreciation	<b>200,958</b>	181,567
Amortisation	<b>2,200</b>	4,929
(Reversal of) allowance for impairment losses:		
– trade receivables	<b>(34,554)</b>	55,342
– contract assets	<b>(2,045)</b>	4,431
– other receivables	<b>1,420</b>	(1,501)
– finance lease receivables	<b>54</b>	(1,468)
Net exchange (gains) losses	<b>(8,315)</b>	8,139
Dividend income from equity instruments at FVTOCI	<b>(338,767)</b>	(10,722)
Net losses (gains) on disposal/written off of property, plant and equipment	<b>428</b>	(164)
Unrealised gains on financial assets at fair value through profit or loss	<b>(26,292)</b>	(3,214)
Gain arising from dilution of equity interest of an associate	–	(350,233)
Gain on disposal of an associate	–	(78,138)
Share-based payment expenses	<b>24,000</b>	6,252
Decrease in fair value of investment properties	<b>8,111</b>	12,453
Operating cash flows before movements in working capital	<b>122,938</b>	172,246
Changes in working capital:		
Inventories	<b>(39,580)</b>	53,096
Finance lease receivables	<b>3,828</b>	16,566
Trade receivables	<b>(2,866)</b>	(66,618)
Other receivables, deposits and prepayments	<b>175,176</b>	(64,686)
Financial assets at fair value through profit or loss	<b>(243,080)</b>	(296,954)
Trade payables	<b>23,618</b>	(78,964)
Other payables and accruals	<b>38,590</b>	(204,829)
Amounts due from/to related companies	<b>(14,432)</b>	(52,417)
Contract assets	<b>95,942</b>	(57,097)
Contract liabilities	<b>97,767</b>	45,396
Cash generated from (used in) operations	<b>257,901</b>	(534,261)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT

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

	2025 HK\$'000	2024 HK\$'000
<b>Financial assets</b>		
Financial assets mandatorily required to be measured at FVTPL		
– Held for trading	954,760	685,388
– Others	1,556,953	1,384,303
	2,511,713	2,069,691
Financial assets at amortised cost	8,673,506	8,100,989
Equity instruments designated at FVTOCI	1,760,340	2,265,620
<b>Financial liabilities</b>		
Amortised cost	2,858,207	2,945,399

### Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

The Group has foreign currency sales in its electrical and mechanical business segment, which have exposure to foreign exchange risk. Other than that, the principal subsidiaries of the Group operate in the PRC with almost all of their transactions settled in Renminbi and did not have significant exposure to foreign exchange risk during both years.

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

At 31 December 2025, with all other variables held constant, if Hong Kong dollar had weakened/strengthened against Renminbi by 5% (2024: 5%), the Group's profit for the year would have been favourably/unfavourably impacted by HK\$39,015,000 (2024: HK\$36,519,000) as a result of the translation of the Non-Functional Currency Items. The sensitivity analysis includes only external outstanding relevant foreign currency denominated monetary items, and except for US\$ as the directors of the Company consider that the Group's exposure to US\$ is insignificant on the ground that HK\$ is pegged to US\$.

##### (ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares, listed funds, unlisted trust funds and unlisted funds are classified on the consolidated statement of financial position as equity instruments at FVTOCI and financial assets at FVTPL specified in Notes 19 and 27, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds. If the prices of the respective equity securities had been 10% (2024: 10%) higher/lower, the Group's profit and other comprehensive income for the year would increase/decrease by HK\$71,688,000 (2024: HK\$51,476,000) and HK\$132,608,000 (2024: HK\$170,489,000), respectively.

##### (iii) Interest rate risk

Other than the certificate of deposits, structured deposits, entrusted deposits and bank balances and deposits specified in Notes 27, 28, 29 and 30 respectively, the Group has no other significant assets bearing interest.

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

The Group's interest rate risk is mainly arising from bank borrowings (the "**Interest Bearing Liabilities**") set out in Note 34. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include bank borrowings at variable rates of HK\$1,905,996,000 (2024: HK\$1,915,518,000) and fixed rates of HK\$74,700,000 (2024: HK\$74,295,000).

If interest rates had been 50 basis points (2024: 50 basis points) higher/lower for Hong Kong dollar-denominated borrowings at variable rates and with all other variables held constant, the Group's profit for the year ended 31 December 2025 would decrease/increase by HK\$7,958,000 (2024: HK\$7,997,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (iii) Interest rate risk (Continued)

If interest rates had been 25 basis points (2024: 25 basis points) higher/lower for Hong Kong dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK\$1,763,000 (2024: HK\$1,736,000); if interest rates had been 25 basis points (2024: 25 basis points) higher/lower for Renminbi-denominated bank balances and deposits and with all other variables held constant, the Group's profit for the year would increase/decrease by HK\$12,918,000 (2024: HK\$10,700,000).

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

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

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

##### *Trade receivables and contract assets arising from contracts with customers*

In order to minimise the credit risk in relation to trade receivables and contract assets, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit analysis to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group performs impairment assessment under ECL model on balances of trade receivables (excluding those backed by notes) and contract assets collectively based on provision matrix. Besides, a significant portion of the Group's trade receivables backed by notes are arranged with state-owned banks in the PRC. The credit risks on these notes are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

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

*Finance lease receivables, other receivables and amount(s) due from investments accounted for using the equity method/ultimate holding company/related companies*

The Group assessed the ECL for its finance lease receivables, other receivables and amount(s) due from investments accounted for using the equity method/ultimate holding company/related companies individually based on past due information which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of receivables and is adjusted for forward-looking estimates.

The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For the year ended 31 December 2025, the amounts of impairment losses made for these balances were insignificant and allowance for impairment losses of HK\$1,420,000 (2024: reversal of impairment loss of HK\$1,501,000) on other receivables was recognised.

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

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

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

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

2025	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	13,167
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	275
Amounts due from related companies	24	N/A	(note (i))	12-month ECL	127,002
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	70,131
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	3,919,434
Bank balances	30	AA+ to AAA	N/A	12-month ECL	2,811,065
Finance lease receivables	20	N/A	(note (i))	12-month ECL	115,171
Other receivables	26	N/A	(note (i))	12-month ECL	178,805
Trade receivables backed by notes	26	AA to AAA	N/A	12-month ECL	187,860
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	1,256,343  118,446
<b>Other item</b>					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired Lifetime ECL – Credit-impaired	63,828  44,379

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

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

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

2024	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Amounts due from investments accounted for using the equity method	23	N/A	(note (i))	12-month ECL	16,086
Amount due from ultimate holding company	23	N/A	(note (i))	12-month ECL	183
Amounts due from related companies	24	N/A	(note (i))	12-month ECL	99,926
Restricted bank balances	30	AA+ to AAA	N/A	12-month ECL	119,178
Time deposits with maturity over three months	30	AA+ to AAA	N/A	12-month ECL	2,617,777
Bank balances	30	AA+ to AAA	N/A	12-month ECL	3,535,113
Finance lease receivables	20	N/A	(note (i))	12-month ECL	112,202
Other receivables	26	N/A	(note (i))	12-month ECL	199,414
Trade receivables backed by notes	26	AA to AAA	N/A	12-month ECL	243,757
Trade receivables excluding those backed by notes	26	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	1,162,458
				Lifetime ECL – Credit-impaired	150,439
<b>Other item</b>					
Contract assets	25	N/A	(note (ii))	Lifetime ECL – Not credit-impaired	159,070
				Lifetime ECL – Credit-impaired	43,931

notes:

- (i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2025 and 2024, the Group considers that the ECL for these balances are not significant since these balances are either not past due or without fixed repayment terms.
- (ii) For trade receivables (excluding those backed by notes) and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

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

##### Gross carrying amount (Continued)

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

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2024	3,529	98,905	102,434
– Impairment losses recognised	911	54,431	55,342
– Exchange adjustments	(87)	(2,897)	(2,984)
As at 31 December 2024	<b>4,353</b>	<b>150,439</b>	<b>154,792</b>
– Impairment losses recognised (reversed)	<b>454</b>	<b>(35,008)</b>	<b>(34,554)</b>
– Exchange adjustments	<b>114</b>	<b>3,015</b>	<b>3,129</b>
<b>As at 31 December 2025</b>	<b>4,921</b>	<b>118,446</b>	<b>123,367</b>

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2024	2,464	40,385	42,849
– Impairment losses (reversed) recognised	(48)	4,479	4,431
– Exchange adjustments	(52)	(933)	(985)
As at 31 December 2024	<b>2,364</b>	<b>43,931</b>	<b>46,295</b>
– Impairment losses reversed	<b>(1,385)</b>	<b>(660)</b>	<b>(2,045)</b>
– Exchange adjustments	<b>40</b>	<b>1,108</b>	<b>1,148</b>
<b>As at 31 December 2025</b>	<b>1,019</b>	<b>44,379</b>	<b>45,398</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

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

##### *Gross carrying amount (Continued)*

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

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

For the Group's electrical and mechanical business which involves a long production cycle, there are policies in place to ensure the production process is consistent with the contracted schedule. The provisions of services are made to customers with appropriate credit history and periodic credit evaluations of customers are performed. The aggregate net carrying amount of the relevant trade receivables (excluding those backed by notes) and contract assets of electrical and mechanical business that are subject to credit risk amounting to HK\$11,438,000 and HK\$62,809,000, respectively (2024: HK\$27,385,000 and HK\$156,706,000, respectively) as at 31 December 2025. The directors of the Company are of the opinion that adequate ECL provision for uncollectible trade receivables (excluding those backed by notes) and contract assets have been made in the consolidated financial statements.

As at 31 December 2025, 65% (2024: 62%) of the Group's financial assets were bank deposits, structured deposits and entrusted deposits (2024: bank deposits, structured deposits and entrusted deposits), which were placed with state-owned banks, licensed commercial banks and other financial institutions in the PRC. For utilities business, except for an amount of HK\$790,919,000 (2024: HK\$824,103,000), all government supplemental income from the TEDA Finance Bureau had been received as at 31 December 2025 and 2024, respectively. The residential, commercial and industrial customers in utilities segment demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk factors (Continued)

#### (c) Liquidity risk

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

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

As at 31 December 2025, the Group had cash and cash equivalents of approximately HK\$2,811,065,000 (2024: HK\$3,535,113,000), bank borrowings of approximately HK\$1,980,696,000 (2024: HK\$1,989,813,000) and lease liabilities of approximately HK\$15,435,000 (2024: HK\$24,132,000), respectively.

The table below analyses the Group's financial liabilities that will be settled in relevant time bands based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include principal and interest. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 3 and 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 December 2025</b>					
Bank borrowings	315,990	1,831,751	96,858	2,244,599	1,980,696
Amounts due to related companies	157,570	-	-	157,570	157,570
Trade payables and other payables	719,941	-	-	719,941	719,941
	<b>1,193,501</b>	<b>1,831,751</b>	<b>96,858</b>	<b>3,122,110</b>	<b>2,858,207</b>
Lease liabilities	8,379	4,344	3,208	15,931	15,435
<b>At 31 December 2024</b>					
Bank borrowings	2,075,328	11,729	15,477	2,102,534	1,989,813
Amounts due to related companies	141,058	-	-	141,058	141,058
Trade payables and other payables	814,528	-	-	814,528	814,528
	<b>3,030,914</b>	<b>11,729</b>	<b>15,477</b>	<b>3,058,120</b>	<b>2,945,399</b>
Lease liabilities	10,834	8,076	6,256	25,166	24,132

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to the owners of the Company as shown in the consolidated statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	2025 HK\$'000	2024 HK\$'000
Total cash and bank deposits	<b>6,800,630</b>	6,272,068
Less: bank borrowings	<b>(1,980,696)</b>	(1,989,813)
Less: lease liabilities	<b>(15,435)</b>	(24,132)
Net cash	<b>4,804,499</b>	4,258,123
Shareholders' funds	<b>13,025,734</b>	12,592,497
Net gearing position	<b>Net cash</b>	Net cash

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Fair value measurements of financial instruments

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Fair value measurements of financial instruments (Continued)

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2025 HK\$'000	31 December 2024 HK\$'000				
<b>Equity instruments at fair value through other comprehensive income</b>						
- listed equity securities	<b>85,781</b>	84,228	Level 1	Quoted bid price in active markets	N/A	N/A
- unlisted equity security - Research Institute (note (i))	<b>808,114</b>	891,898	Level 3 (2024: Level 2)	Market approach which uses enterprise multiples of comparable companies and a marketability discount (2024: Market approach based on the transaction price by reference to the unilateral capital injection that is closest to end of the reporting period)	Marketability discount of 20% (note (ii)) (2024: N/A)	An increase in the marketability discount would result in a decrease in fair value, and vice versa (2024: N/A)
- unlisted equity security - Tasly Group (note (iii))	<b>850,942</b>	1,272,690	Level 3	Asset-based approach based on adjusted net asset value (2024: Dividend yield model which uses expected maintainable dividend income and market dividend yield)	Adjusted net asset value (2024: Dividend yield of 1.49%) (note (iv))	An increase in the adjusted net asset value would result in an increase in fair value, and vice versa (2024: An increase in the dividend yield would result in a decrease in fair value, and vice versa)
- other unlisted equity securities	<b>15,503</b>	16,804	Level 3	Market approach which uses enterprise multiples of comparable companies and a marketability discount	Marketability discount of 12% (2024: 9.59% - 11.54%) (note (v))	An increase in the marketability discount would result in a decrease in fair value, and vice versa
	<b>1,760,340</b>	2,265,620				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Fair value measurements of financial instruments (Continued)

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2025 HK\$'000	31 December 2024 HK\$'000				
<b>Financial assets at fair value through profit or loss</b>						
- listed equity securities	9,556	8,427	Level 1	Quoted bid price in active markets	N/A	N/A
- certificate of deposits	-	77,739	Level 2	Redemption value quoted by banks	N/A	N/A
- listed funds	11,115	11,003	Level 1	Quoted bid price in active markets	N/A	N/A
- unlisted funds	710,304	453,135	Level 2	Redemption value quoted by the relevant investment fund with reference to the underlying assets (mainly listed securities) of the fund	N/A	N/A
- unlisted trust funds	223,785	135,084	Level 2	Redemption value quoted by banks or financial institutions with reference to the underlying assets (mainly listed securities and government bonds) of the trust fund	N/A	N/A
- structured deposits	449,456	347,394	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
- entrusted deposits	1,107,497	1,036,909	Level 2	Redemption value quoted by financial institutions with reference to the expected return of the underlying assets	N/A	N/A
	<b>2,511,713</b>	<b>2,069,691</b>				

notes:

- (i) The fair value of Research Institute as at 31 December 2025 is determined by using market approach which uses enterprise multiples of comparable companies and a marketability discount (2024: market approach based on the transaction price as aforesaid) that better reflect its fair value on that date. Since the valuation technique changed in the current year involved significant unobservable inputs and hence the fair value measurement of Research Institute was transferred into Level 3 in the current year from Level 2 as at 31 December 2024.
- (ii) As at 31 December 2025, a 5% increase/decrease in the marketability discount holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK\$50,550,000.
- (iii) The fair value of Tasly Group as at 31 December 2025 is determined by using asset-based approach based on adjusted net asset value (31 December 2024: dividend yield model) as it better reflects the value derived from the investee's underlying assets following the corporate restructuring during the year ended 31 December 2025.
- (iv) As at 31 December 2025, a 1% increase/decrease in the adjusted net asset value holding all other variables constant would increase/decrease the carrying amount of the unlisted equity security by HK\$8,509,000. As at 31 December 2024, a 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$12,560,000 and a 1% decrease in the dividend yield holding all other variables constant would increase the carrying amount of the unlisted equity securities by HK\$12,815,000.
- (v) As at 31 December 2025, a 5% increase/decrease in the marketability discount holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK\$808,000 (2024: HK\$727,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### Fair value measurements of financial instruments (Continued)

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

	<b>Unlisted equity securities HK\$'000</b>
At 1 January 2024	1,619,566
Fair value change recognised as other comprehensive expense (note)	(299,294)
Exchange differences	(30,778)
At 31 December 2024	<b>1,289,494</b>
Fair value change recognised as other comprehensive expense (note)	<b>(541,785)</b>
Transfer into Level 3	<b>901,635</b>
Disposal	<b>(12,626)</b>
Exchange differences	<b>37,841</b>
<b>At 31 December 2025</b>	<b>1,674,559</b>

note: Included in other comprehensive income for the year ended 31 December 2025 is an amount of HK\$541,785,000 (2024: HK\$299,294,000) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "FVTOCI reserve".

There were no transfers among Levels 1, 2 and 3 in both years, save as the fair value measurement of Research Institute transferred into Level 3 from Level 2 in the current year, details of which are set out in Note 45(i).

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Lease liabilities HK\$'000</b>	<b>Dividend payables HK\$'000</b>	<b>Bank borrowings HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2024	10,546	–	1,810,630	1,821,176
Financing cash flows	(10,343)	(237,228)	123,663	(123,908)
Inception of leases	23,508	–	–	23,508
Interest expenses recognised	672	–	–	672
Dividend declared	–	237,228	–	237,228
Acquisition of a subsidiary (Note 43)	–	–	51,917	51,917
Amortisation of upfront fee	–	–	4,889	4,889
Foreign exchange translation	(251)	–	(1,286)	(1,537)
<b>At 31 December 2024</b>	<b>24,132</b>	<b>–</b>	<b>1,989,813</b>	<b>2,013,945</b>
Financing cash flows	(11,238)	(217,567)	(15,871)	(244,676)
Inception of leases	1,638	–	–	1,638
Interest expenses recognised	583	–	–	583
Dividend declared	–	217,567	–	217,567
Amortisation of upfront fee	–	–	4,881	4,881
Foreign exchange translation	320	–	1,873	2,193
<b>At 31 December 2025</b>	<b>15,435</b>	<b>–</b>	<b>1,980,696</b>	<b>1,996,131</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 47. RELATED PARTY TRANSACTIONS

### (a) Connected persons

On 14 March 2016, the Company entered into a master sales agreement (the “**Master Sales Agreement**”) with Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) (“**Tianjin Pharmaceutical**”) in relation to the sales of various chemical drug products and pharmaceutical printing and packaging products by the Group to the Tianjin Pharmaceutical and its subsidiaries (the “**Tianjin Pharmaceutical Group**”) for a term commencing from 1 May 2016 and up to 31 December 2018. On 6 December 2018, the Master Sales Agreement is renewed from 1 January 2019 up to 31 December 2021. On 17 November 2021, the Master Sales Agreement is further renewed from 1 January 2022 up to 31 December 2024. On 15 November 2024, the Master Sales Agreement is renewed from 1 January 2025 up to 31 December 2025. As Tianjin Pharmaceutical is an associate of an intermediate controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules, therefore the entering into of the Master Sales Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2025, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Master Sales Agreement was RMB43,784,000 (equivalent to HK\$47,799,000) (2024: RMB54,306,000 (equivalent to HK\$59,481,000)).

On 19 January 2021, the Company and Tianjin Pharmaceutical entered into the entrusted manufacturing and processing master agreement (“**Entrusted Processing Master Agreement**”), pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and carrying out of other related work of certain drugs under the Drug Marketing Authorisation Holder System (藥品上市許可持有人制度). The Entrusted Processing Master Agreement is for a term commencing from 19 January 2021 to 31 December 2021. On 17 November 2021, the Entrusted Processing Master Agreement is renewed from 1 January 2022 to 31 December 2024. On 15 November 2024, the Entrusted Processing Master Agreement is renewed from 1 January 2025 up to 31 December 2025.

For the year ended 31 December 2025, the total sales amount by the Group to the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement was RMB6,705,000 (equivalent to HK\$7,320,000) (2024: RMB14,974,000 (equivalent to HK\$16,401,000)).

On 17 November 2021, the Company and Tianjin Pharmaceutical entered into the master purchase agreement (“**Master Purchase Agreement**”), pursuant to which members of the Group may purchase pharmaceutical products or raw materials according to their production needs. The Master Purchase Agreement is for a term commencing from 1 January 2022 to 31 December 2024. On 15 November 2024, the Master Purchase Agreement is renewed from 1 January 2025 up to 31 December 2025.

For the year ended 31 December 2025, the total purchase amount by the Group from the Tianjin Pharmaceutical Group under the Master Purchase Agreement was RMB5,503,000 (equivalent to HK\$6,008,000) (2024: RMB2,038,000 (equivalent to HK\$2,232,000)).

On 17 November 2021, the Company and Tianjin TEDA Investment Holding Co., Ltd. (“**TEDA Holding**”) entered into a water transmission pipelines lease master agreement (the “**Water Transmission Pipelines Lease Master Agreement**”), pursuant to which TEDA Holding and its subsidiaries (the “**TEDA Holding Group**”) may lease the water transmission pipelines and the relevant ancillary facilities to members of the Group. The Water Transmission Pipelines Lease Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024. On 15 November 2024, the Water Transmission Pipelines Lease Master Agreement is renewed from 1 January 2025 up to 31 December 2027.

## 47. RELATED PARTY TRANSACTIONS (Continued)

### (a) Connected persons (Continued)

For the year ended 31 December 2025, the total leasing amount by the Group to the TEDA Holding Group under the Water Transmission Pipelines Lease Master Agreement was RMB8,116,000 (equivalent to HK\$8,860,000) (2024: RMB9,828,000 (equivalent to HK\$10,765,000)).

On 17 November 2021, the Company and TEDA Holding entered into a heat and power networks and facilities lease master agreement (the “**Heat and Power Networks and Facilities Lease Master Agreement**”), pursuant to which members of the TEDA Holding Group may lease the heat and power networks and related facilities to members of the Group. The Heat and Power Networks and Facilities Lease Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024. On 15 November 2024, the Heat and Power Networks and Facilities Lease Master Agreement is renewed from 1 January 2025 up to 31 December 2027.

For the year ended 31 December 2025, the total leasing amount by the Group to the TEDA Holding Group under the Heat and Power Networks and Facilities Lease Master Agreement was RMB1,219,000 (equivalent to HK\$1,331,000) (2024: RMB9,320,000 (equivalent to HK\$10,208,000)).

On 17 November 2021, the Company and TEDA Holding entered into a steam purchase master agreement (as amended by a supplemental agreement dated 11 November 2022) (the “**Steam Purchase Master Agreement**”), pursuant to which members of the Group may purchase steam and heat power products from members of the TEDA Holding Group. The Steam Purchase Master Agreement is for a term commencing from 1 January 2022 to 31 December 2024. On 15 November 2024, the Steam Purchase Master Agreement is renewed from 1 January 2025 up to 31 December 2027.

For the year ended 31 December 2025, the total purchase amount by the Group to the TEDA Holding Group under the Steam Purchase Master Agreement was RMB803,124,000 (equivalent to HK\$876,773,000) (2024: RMB888,165,000 (equivalent to HK\$972,798,000)).

On 29 August 2024, the Company and TEDA Holding entered into a products procurement master agreement (the “**Products Procurement Master Agreement**”), pursuant to which members of the Group may purchase certain product(s) including daily office supplies, consumables and spare parts and other products from members of the TEDA Holding Group. The Products Procurement Master Agreement is for a term commencing from 1 September 2024 to 31 December 2024. On 15 November 2024, the Products Procurement Master Agreement is renewed from 1 January 2025 up to 31 December 2027.

For the year ended 31 December 2025, the total purchase amount by the Group to the TEDA Holding Group under the Products Procurement Master Agreement was RMB48,528,000 (equivalent to HK\$52,978,000) (from 1 September 2024 to 31 December 2024: RMB48,374,000 (equivalent to HK\$52,984,000)).

On 29 August 2024, the Company and TEDA Holding entered into an integrated services master agreement (the “**Integrated Services Master Agreement**”), pursuant to which members of the TEDA Holding Group may provide certain services including construction and engineering services, property and facility management services, human resources related services, consultancy and advisory services and other services to members of the Group. The Integrated Services Master Agreement is for a term commencing from 1 September 2024 to 31 December 2024. On 15 November 2024, the Integrated Services Master Agreement is renewed from 1 January 2025 up to 31 December 2027.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 47. RELATED PARTY TRANSACTIONS (Continued)

### (a) Connected persons (Continued)

For the year ended 31 December 2025, the total purchase amount by the Group to the TEDA Holding Group under the Integrated Services Master Agreement was RMB52,828,000 (equivalent to HK\$57,673,000) (from 1 September 2024 to 31 December 2024: RMB13,266,000 (equivalent to HK\$14,530,000)).

On 15 November 2024, the Company and TEDA Holding entered into an water testing services master agreement (the “**Water Testing Services Master Agreement**”), pursuant to which members of the Group may provide services of conducting various tests on water samples, including but not limited to samples of drinking water, ground surface water, underground water, water for aesthetic environment use, urban miscellaneous water and other sources of water, and the provision of ancillary services thereto to the members of the TEDA Holding. The Water Testing Services Master Agreement is for a term commencing from 1 January 2025 up to 31 December 2027.

For the year ended 31 December 2025, the total sales amount by the Group to the TEDA Holding Group under the Water Testing Services Master Agreement was RMB5,244,000 (equivalent to HK\$5,725,000)

### (b) Related parties

The Group is controlled by Tsinlien, which owned 62.81% (2024: 62.81%) of the Company’s ordinary shares as at 31 December 2025. The remaining 37.19% (2024: 37.19%) of the Company’s ordinary shares are widely held.

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

For the years ended 31 December 2025 and 2024, except for the government supplemental income granted by the relevant bureau of TEDA to the utilities business (Note 4), the Group’s significant transactions with other entities that are controlled, jointly controlled or significantly influenced by the PRC government (the “**Other government-related entities**”) mainly include majority of its cash at banks and time deposits in banks and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water and sales of pharmaceutical products which constituted the majority of the Group’s purchases and sales). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 47. RELATED PARTY TRANSACTIONS (Continued)

### (b) Related parties (Continued)

Apart from the above-mentioned transactions with the Other government-related entities, the connected transactions and the related party transactions and balances during the year ended 31 December 2025 set out in Notes 19, 23, 24 and 26, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

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

	notes	2025 HK\$'000	2024 HK\$'000
Short-term lease expenses for plants, pipelines and networks	(ii)	10,191	20,973
Purchase of goods	(i)	6,008	2,232
Purchase of daily office supplies, consumables, spare parts and other products	(i)	52,978	52,984
Purchase of services	(i)	57,673	36,439
Purchase of steam and thermal power	(iii)	876,773	972,798
Provision of services	(i)	13,045	–
Sales of goods	(i)	47,799	59,481
Sales of water, steam and heat	(v)	97,752	97,545
Purchase of electricity	(v)	10,780	10,434

notes:

- (i) These transactions were conducted with related parties, which are entities controlled by Tianjin Pharmaceutical and TEDA Holding, in accordance with the terms of the relevant agreements. Balances with related companies are set out in Notes 23 and 24.
- (ii) The amount mainly represents the leasing fees paid by the Group to Tianjin TEDA Water Industry Co. Ltd. (天津泰達水業有限公司) and Tianjin TEDA Heat & Power Energy Management Co. Ltd. (天津泰達熱電能源管理有限公司) for leasing of water transmission pipelines as well as the heat and power networks and related facilities for its utilities supply business in TEDA, respectively, in accordance with the terms of the relevant agreements.
- (iii) The amount represents the purchase of steam and thermal power from Tianjin TEDA Energy Development Co., Ltd. (天津泰達能源發展有限責任公司) and Guohua Energy Development (Tianjin) Co., Ltd. (國華能源發展(天津)有限公司) for heat and thermal power supply business in TEDA in accordance with the terms of the relevant agreements. Both companies are the wholly-owned subsidiaries of TEDA.
- (iv) The above related party transactions in (i), (ii) and (iii) with entities controlled by Tianjin Pharmaceutical and TEDA Holding, connected persons of the Group, also constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.
- (v) These related party transactions represent the provision/purchase of utilities services to/from entities controlled by TEDA Holding at published tariffs applicable to all independent customers that are exempted from all disclosure requirements in accordance with Rule 14A.97 of the Listing Rules.

#### (ii) Key management compensation

	2025 HK\$'000	2024 HK\$'000
Fees	–	–
Salaries, share-based payment expense and other emoluments	3,611	3,503
Retirement benefits scheme contribution	36	36
	<b>3,647</b>	3,539

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 48. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2025 and 2024 are set out below:

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2025		2024		
				Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	Held by subsidiaries %
<b>Established and operating in the PRC</b>								
Tianjin Lisheng Pharmaceutical Co., Ltd. ("Lisheng Pharmaceutical") ‡ 天津力生製藥股份有限公司	Investment holding and manufacture and sale of chemical drugs, proprietary Chinese medicines and other healthcare products	RMB257,616,859 (2024: RMB257,895,388)	35.22 <sup>®</sup>	-	52.56 <sup>®</sup>	34.41 <sup>®</sup>	-	51.36 <sup>®</sup>
Tianjin Yiyao Printing Co., Ltd. <sup>^^</sup> 天津宜藥印務有限公司	Investment holding and design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials	RMB39,450,000	43.55	-	65	43.55	-	65
Tianjin Tai Kang Investment Co., Ltd. ("Tianjin Tai Kang") ^ 天津泰康投資有限公司	Investment holding	RMB1,030,269,383	82.74	82.74	-	82.74	82.74	-
Tianjin Development Assets Management Co., Ltd.* 天津發展資產管理有限公司	Investment holding	RMB838,239,651	100	100	-	100	100	-
Tianjin TEDA Tsinlien Water Supply Co., Ltd. ^ 天津泰達津聯自來水有限公司	Supply of water	RMB163,512,339	91.41	-	91.41	91.41	-	91.41
Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ^ 天津泰達津聯熱電有限公司	Supply of steam and thermal power	RMB262,948,258	90.94	-	90.94	90.94	-	90.94
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ^^ 天津市天發重型水電設備製造有限公司	Manufacture and sale of hydroelectric equipment and large scale pump unit	RMB838,405,377	82.74	-	100	82.74	-	100
Benefo Financial Leasing Co., Ltd. ("Benefo Financial Leasing") 百利融資租賃有限公司	Operation of finance lease business	RMB200,000,000	82.74	-	100	82.74	-	100
<b>Incorporated in the Cayman Islands and operating in Hong Kong</b>								
Thrive Leap Limited ("Thrive Leap")	Investment holding	US\$10,000	67	-	67	67	-	67
<b>Incorporated in the British Virgin Islands and operating in Hong Kong</b>								
Dynamic Infrastructure Limited	Investment holding	US\$5	100	100	-	100	100	-
Leadport Holdings Limited	Investment holding	US\$1	100	100	-	100	100	-
<b>Incorporated and operating in Hong Kong</b>								
Tsinlien Realty Limited 津聯置業有限公司	Operation of Courtyard by Marriott Hong Kong	HK\$200,000	100	-	100	100	-	100
Godia Holdings Limited 富聰控股有限公司	Investment holding	HK\$15	100	-	100	100	-	100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 48. PRINCIPAL SUBSIDIARIES (Continued)

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

\* Wholly-foreign owned enterprise

^ Sino-foreign equity joint venture

# Listed on the Shenzhen Stock Exchange with limited liability

^^ Limited liability company

® As at 31 December 2025, the effective interest held by the Group and subsidiary included 1.09% and 1.63% (2024: 0.33% and 0.49%) equity interest held under treasury shares of Lisheng Pharmaceutical, respectively, for the purpose of the Incentive Scheme set out in Note 33.

### Composition of the Group

At the end of the reporting period, the Company has 25 (2024: 29) other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A majority of these subsidiaries operate in Hong Kong.

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

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

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2025	2024	2025	2024	2025	2024
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tianjin Tai Kang Group (as defined below)	The PRC	17.26	17.26	29,744	37,121	773,052	747,145
Thrive Leap Group (as defined below)	Cayman Islands/Hong Kong	33	33	299,300	213,194	4,053,559	4,047,162
Other individual immaterial subsidiaries with non-controlling interests				(1,875)	2,781	69,747	68,489
				327,169	253,096	4,896,358	4,862,796

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 48. PRINCIPAL SUBSIDIARIES (Continued)

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

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

#### Tianjin Tai Kang Group

	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Current assets	504,411	2,603,855
Non-current assets	3,571,519	1,367,021
Current liabilities	(328,590)	(368,943)
Non-current liabilities	(2,637)	(48)
Equity attributable to owners of the Company	2,971,651	2,854,740
Non-controlling interests	773,052	747,145
	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
Revenue	130,991	171,790
Share of net profit of associate and joint venture accounted for using the equity method	238,414	279,511
Profit for the year	172,327	207,792
Other comprehensive income (expense) for the year	97,174	(86,659)
Total comprehensive income for the year	269,501	121,133
Profit for the year attributable to non-controlling interests	29,744	37,121
Total comprehensive income for the year attributable to non-controlling interests	48,518	20,429
Dividends paid to non-controlling interests	22,611	28,357
Net cash inflow (outflow) from operating activities	34,516	(83,934)
Net cash (outflow) inflow from investing activities	(1,088,626)	421,677
Net cash outflow from financing activities	(126,144)	(196,304)
Net cash (outflow) inflow	(1,180,254)	141,439

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 48. PRINCIPAL SUBSIDIARIES (Continued)

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

#### Thrive Leap Group

	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Current assets	4,567,340	4,187,904
Non-current assets	3,536,529	3,919,297
Current liabilities	(960,454)	(899,860)
Non-current liabilities	(107,200)	(237,197)
Equity attributable to owners of the Company	2,982,656	2,922,982
Non-controlling interests	4,053,559	4,047,162
	Year ended 31 December 2025 HK\$'000	Year ended 31 December 2024 HK\$'000
Revenue	1,664,753	1,609,651
Share of net loss of associate accounted for using the equity method	-	(62,004)
Profit for the year	466,741	465,422
Other comprehensive expense for the year	(220,895)	(435,524)
Total comprehensive income for the year	245,846	29,898
Profit for the year attributable to non-controlling interests of Thrive Leap Group	299,300	213,194
Total comprehensive income (expense) for the year attributable to non-controlling interests	163,090	(71,806)
Dividends paid to non-controlling interests	44,769	58,898
Net cash outflow from operating activities	(125,753)	(364,266)
Net cash inflow from investing activities	61,065	35,105
Net cash outflow from financing activities	(131,798)	(61,383)
Net cash outflow	(196,486)	(390,544)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 49. ASSOCIATES

Name	Principal activities	Registered capital/ issued and paid up capital	Effective interest attributable to the Group %	2025		2024		Held by subsidiaries %
				Held by the Company %	Held by subsidiaries %	Effective interest attributable to the Group %	Held by the Company %	
<b>Established and operating in the PRC</b>								
Otis Elevator (China) Investment Company Limited ("Otis China") 奧的斯電梯(中國)投資有限公司	Manufacturing and selling of elevators and escalators	US\$171,961,000	16.55	-	20	16.55	-	20
Tianjin TEDA Electric Power Co., Ltd. ("TEDA Power") <sup>^</sup> 天津泰達電力有限公司	Supply of electricity	RMB1,100,164,686	47.09	-	47.09	47.09	-	47.09
<b>Incorporated in the Cayman Islands, operating in and listed in Hong Kong</b>								
Tianjin Port Development Holdings Limited ("Tianjin Port") <sup>#</sup> 天津港發展控股有限公司	Provision of port services	HK\$615,800,000	21	-	21	21	-	21

note: All English names of associates established in the PRC are included for identification purpose only.

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

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

## 50. LITIGATION

As disclosed in the 2024 annual report of the Company (terms defined therein shall have the same meanings when used here), the Higher People's Court of Tianjin had revoked the appeals from both Central Pharmaceutical and the Agent. Thus, the First Judgement remains unchanged and is final. The management of the Group maintains the opinion that such litigation has no material adverse effect on the financial position of the Group.

## 51. EVENT AFTER THE END OF THE REPORTING PERIOD

On 27 January 2026, Tianjin Tai Kang entered into an equity transfer agreement with Tianjin State-owned Capital Investment and Operation Co., Ltd. ("Tianjin Capital"), pursuant to which Tianjin Tai Kang agreed to sell, and Tianjin Capital agreed to acquire, the entire equity interest in Benefo Financial Leasing at the consideration of RMB264,929,184, subject to the terms and conditions of the agreement (the "Disposal"). Benefo Financial Leasing will cease to be a subsidiary of the Company upon completion. Up to the date of these consolidated financial statements, the Disposal has not been completed.

## 52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of the Company on 30 March 2026.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 HK\$'000	2024 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,658	9,916
Investment properties		83,056	86,933
Interests in subsidiaries		3,599,176	3,509,780
Advances to subsidiaries		5,785,961	5,813,529
Deferred tax assets		3,927	2,345
		<b>9,475,778</b>	9,422,503
<b>Current assets</b>			
Amount due from ultimate holding company		275	183
Other receivables, deposits and prepayments		11,031	6,664
Cash and cash equivalents		847,503	860,632
		<b>858,809</b>	867,479
<b>Total assets</b>		<b>10,334,587</b>	10,289,982
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital		5,136,285	5,136,285
Reserves	54	1,106,353	1,008,083
<b>Total equity</b>		<b>6,242,638</b>	6,144,368

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

	2025 HK\$'000	2024 HK\$'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bank borrowings	1,705,996	–
Amounts due to subsidiaries	2,143,396	2,182,590
Lease liability	–	3,635
	<b>3,849,392</b>	2,186,225
<b>Current liabilities</b>		
Bank borrowings	200,000	1,915,519
Accruals	38,922	37,638
Lease liability	3,635	6,232
	<b>242,557</b>	1,959,389
<b>Total liabilities</b>	<b>4,091,949</b>	4,145,614
<b>Total equity and liabilities</b>	<b>10,334,587</b>	10,289,982
<b>Net current assets (liabilities)</b>	<b>616,252</b>	(1,091,910)
<b>Total assets less current liabilities</b>	<b>10,092,030</b>	8,330,593

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 30 March 2026 and are signed on its behalf by:

**Teng Fei**  
DIRECTOR

**Zhai Xinxiang**  
DIRECTOR

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 54. RESERVES OF THE COMPANY

	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2024	791,669	431,514	1,223,183
Profit for the year	–	71,121	71,121
Other comprehensive expense for the year	(136,248)	–	(136,248)
Dividends	–	(149,973)	(149,973)
At 31 December 2024	<b>655,421</b>	<b>352,662</b>	<b>1,008,083</b>
Profit for the year	–	<b>92,783</b>	<b>92,783</b>
Other comprehensive income for the year	<b>155,674</b>	–	<b>155,674</b>
Dividends	–	<b>(150,187)</b>	<b>(150,187)</b>
<b>At 31 December 2025</b>	<b>811,095</b>	<b>295,258</b>	<b>1,106,353</b>

At 31 December 2025, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$295,258,000 (2024: HK\$352,662,000).

# Financial Summary

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
<b>Results</b>					
Revenue	3,540,957	3,705,129	3,338,429	3,359,416	<b>3,196,199</b>
Operating profit less finance costs	125,341	97,043	530,132	466,778	<b>390,092</b>
Share of net profit of associates and joint venture accounted for using the equity method	555,655	457,000	552,389	419,176	<b>441,234</b>
Profit before tax	680,996	554,043	1,082,521	885,954	<b>831,326</b>
Tax expense	(41,717)	(49,889)	(99,984)	(84,789)	<b>(76,215)</b>
Profit for the year from continuing operations	639,279	504,154	982,537	801,165	<b>755,111</b>
Loss for the year from presses and mechanical equipment business	(46,312)	–	–	–	<b>–</b>
Profit for the year	592,967	504,154	982,537	801,165	<b>755,111</b>
Attributable to:					
Owners of the Company	470,379	358,162	635,634	548,069	<b>427,942</b>
Non-controlling interests	122,588	145,992	346,903	253,096	<b>327,169</b>
	592,967	504,154	982,537	801,165	<b>755,111</b>
Dividends	88,289	96,013	96,013	149,973	<b>150,187</b>
<b>Assets and liabilities</b>					
Total assets	23,457,987	21,266,227	22,292,679	22,192,849	<b>22,751,671</b>
Total liabilities	5,582,329	4,836,947	4,779,751	4,737,556	<b>4,829,579</b>
Total equity	17,875,658	16,429,280	17,512,928	17,455,293	<b>17,922,092</b>