



百信集团

PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 574

2025
Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yuan Hongbing (*Chairman*)
Mr. Ma Qinghai (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Mr. Chen Zhongzheng
Mr. Zhou Jinkai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Yan
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen
Mr. Khor Khie Liem Alex
(retired on 26 June 2025)

AUTHORISED REPRESENTATIVES

Mr. Yuan Hongbing
Ms. Li Yan

COMPANY SECRETARY

Ms. Lui Mei Ka

AUDIT COMMITTEE

Ms. Li Yan (*Chairman*)
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen
(appointed on 26 June 2025)
Mr. Khor Khie Liem Alex
(retired on 26 June 2025)

REMUNERATION COMMITTEE

Ms. Li Yan (*Chairman*)
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen
(appointed on 26 June 2025)
Mr. Khor Khie Liem Alex
(retired on 26 June 2025)

NOMINATION COMMITTEE

Mr. Wong Tung Yuen (*chairman*)
Ms. Li Yan
Dr. Lowe Chun Yip
(appointed on 26 June 2025)
Mr. Khor Khie Liem Alex
(retired on 26 June 2025)

CORPORATE GOVERNANCE COMMITTEE

Ms. Li Yan (*chairman*)
Mr. Wong Tung Yuen
Dr. Lowe Chun Yip
(appointed on 26 June 2025)
Mr. Khor Khie Liem Alex
(retired on 26 June 2025)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2601–2603, 26/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 608–616, Building 28
Longfor North Paradise Walk 2
229 Wufuqiao East Road
Jinniu District
Chengdu, Sichuan Province
PRC

AUDITOR

Forvis Mazars CPA Limited

STOCK CODE

00574

COMPANY'S WEBSITE

www.pashun.com.cn

PRINCIPAL BANK

Bank of Communications Co., Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

FINANCIAL SUMMARY

	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	<u>85,913</u>	<u>71,784</u>	<u>129,430</u>	<u>86,554</u>	<u>86,807</u>
(Loss) Profit before tax	(323,417)	(43,159)	3,408	(15,006)	(15,669)
Income tax expense	<u>(6,984)</u>	<u>(220)</u>	<u>(1,058)</u>	<u>(307)</u>	<u>(187)</u>
(Loss) Profit for the year	<u>(330,401)</u>	<u>(43,379)</u>	<u>2,350</u>	<u>(15,313)</u>	<u>(15,856)</u>
(Loss) Profit per share (RMB cent(s))					
Basic	(22.40)	(2.94)	0.16	(1.04)	(1.07)
Diluted	<u>N/A</u>	<u>N/A</u>	<u>0.16</u>	<u>(1.04)</u>	<u>(1.07)</u>
Assets and liabilities					
Non-current assets	115,468	94,869	82,295	74,787	69,193
Current assets	51,756	41,216	124,271	104,859	100,512
Current liabilities	<u>(200,582)</u>	<u>(227,219)</u>	<u>(247,744)</u>	<u>(103,528)</u>	<u>(117,865)</u>
Net current (liabilities) assets	(148,826)	(186,003)	(123,473)	1,331	(17,353)
Total assets less current liabilities	(33,358)	(91,134)	(41,178)	76,118	51,840
Non-current liabilities	<u>(25,144)</u>	<u>(24,386)</u>	<u>(74,921)</u>	<u>(212,154)</u>	<u>(199,821)</u>
Net liabilities	<u>(58,502)</u>	<u>(115,520)</u>	<u>(116,099)</u>	<u>(136,036)</u>	<u>(147,981)</u>
Capital and reserves					
Share capital	1,216	1,216	1,216	1,216	1,216
Reserves	<u>(59,718)</u>	<u>(116,736)</u>	<u>(117,315)</u>	<u>(137,252)</u>	<u>(149,197)</u>
Total deficit	<u>(58,502)</u>	<u>(115,520)</u>	<u>(116,099)</u>	<u>(136,036)</u>	<u>(147,981)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the People's Republic of China ("PRC") during the year ended 31 December 2025 ("FY2025").

REVENUE

For the FY2025, the Group recorded a total revenue of approximately RMB86.8 million, representing a very slight increase from approximately RMB86.6 million for the year ended 31 December 2024 ("FY2024").

COST OF GOODS SOLD, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's cost of goods sold decreased by approximately 7.6% from approximately RMB69.5 million for the FY2024 to approximately RMB74.8 million for the FY2025.

The Group's gross profit decreased by approximately 29.6% from approximately RMB17.1 million for the FY2024 to approximately RMB12.0 million for the FY2025. The Group's gross profit margin decreased from approximately 19.7% for the FY2024 to approximately 13.8% for the FY2025.

A substantial portion of the Group's products was included in the National Centralised Drug Procurement programme launched by the government of the People's Republic of China (the "PRC") in 2025. The programme is a key national policy implemented to reduce drug prices and alleviate the burden of medical expenses of the general public. In line with the pricing mechanism of this national policy, the Group has adjusted the selling prices of the relevant procured products, which has led to a significant contraction in the gross profit margin of the affected products.

GAIN ON RESTRUCTURING OF THE FINANCIAL LIABILITIES

A gain of restructuring of the financial liabilities was recognised during the FY2024 arising from the event in which the unsecured and non-referential claims payable to creditors were discharged and released in full in exchange for repayment obligations under the Scheme of Arrangement, which carry zero-coupon interest rate, effective on 12 March 2024. No such gain was noted during the FY2025.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by approximately 42.2% from approximately RMB8.0 million for the FY2024 to approximately RMB4.6 million for the FY2025. The decrease was attributable to the cost control measures due to the net loss incurred by the Group in recent years.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The Group's administrative and other operating expenses increased slightly from approximately RMB14.5 million for the FY2024 to approximately RMB14.6 million for the FY2025.

OTHER INCOME, NET

Other income recorded a slight decrease to approximately RMB1.3 million for the FY2025 (FY2024: approximately RMB1.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS ALLOWANCE FOR EXPECTED CREDIT LOSS (“ECL”) AND IMPAIRMENT LOSS

- (i) The management of the Group conducted impairment assessment of the property development project (the “Project”) using the residual method by reference to its estimated market value at 31 December 2025 and 2024 as valued by an independent professional valuer. With reference to the results of valuation, an impairment loss on the Project amounted to approximately RMB3.6 million (FY2024: approximately RMB4.5 million) was recognised for the FY2025.
- (ii) The management of the Group conducted impairment assessment on the recoverability of prepayment and deposit paid by considering historical settlement records, past experience and both quantitative and qualitative information that is reasonable and supportive forward-looking information. From the view of the management of the Group, the recoverability of the advance payments made to certain suppliers cannot be assured beyond reasonable doubt. Accordingly, an impairment loss of approximately RMB1.3 million was recognised for the FY2025 (FY2024: impairment loss amounted to approximately RMB8.2 million).
- (iii) The management of the Group conducted assessment on the loss allowance for ECL on trade and other receivables by taking into consideration the current and forward-looking information, to adjust the expected loss rates at 31 December 2025 and 2024. A reversal of loss allowance for ECL on trade receivables amounted to approximately RMB11.6 million (2024: approximately RMB3.8 million) and a provision for loss allowance for ECL on other receivables amounted to approximately RMB1.4 million (FY2024: provision for loss allowance for ECL amounted to RMB5.0 million) were recognised for the FY2025.

FINANCE COSTS

Finance costs increased to approximately RMB15.0 million for the FY2025 (FY2024: approximately RMB14.8 million). Finance costs of the Group mainly comprises interests accrued on bank and other borrowings of the Group and the imputed interests arising from the repayment obligations under the Scheme of Arrangement.

LOSS FOR THE YEAR

As a result of the foregoing, the Group’s loss for the FY2025 was approximately RMB15.9 million as compared to approximately RMB15.3 million for the FY2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

During the FY2025, the economy of the PRC entered into new phase with slowdown and steady development. Accordingly, the Company expects that the wholesale and consumer market of pharmaceutical products would become more competitive and challenging. The management of the Group will focus its efforts on improving the production and distribution capabilities to seize the business opportunities arising from the market recovery.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of approximately RMB5.5 million at 31 December 2025 as compared to approximately RMB16.0 million at 31 December 2024.

The Group recorded net current assets of approximately RMB1.3 million at 31 December 2024 and net current liabilities of approximately RMB17.4 million at 31 December 2025. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 1.01 as at 31 December 2024, as compared with 0.85 as at 31 December 2025.

As at 31 December 2025, the total amount of bank borrowing was approximately RMB19.0 million, as compared to approximately RMB11.4 million as at 31 December 2024. As at 31 December 2025, the total amount of other borrowings was approximately RMB26.5 million as compared to approximately RMB32.6 million at 31 December 2024.

As at 31 December 2025, the total number of issued ordinary shares of the Company (“Shares”) was 1,474,992,908 Shares (2024: 1,474,992,908 Shares). In 2018, the Company has granted to certain eligible persons share options (“Options”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. During the year ended 31 December 2025, 10,000,000 Options have lapsed and as at 31 December 2025, no Options remained outstanding. Please refer to the announcement of the Company dated 7 September 2018 for details of the grant of the Options. No Options were granted during the FY2025 and FY2024.

The Group reviews and manages its capital structure actively and regularly to enhance its financial strength for the Group’s long-term development. There were no changes in the Group’s approach to capital management during the FY2025.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISKS

Most of the assets and transactions of the Group are denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi. Therefore, the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the FY2025, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Listing Rules.

PLEGGED ASSETS

As at 31 December 2025, the Group's leasehold land and buildings with aggregate net carrying amount of approximately RMB24.0 million (2024: approximately RMB26.5 million) were pledged to secure bank borrowings.

HUMAN RESOURCES

As at 31 December 2025, the Group had a total of 108 (31 December 2024: 97) staff, primarily in the PRC. The total staff cost was approximately RMB8.0 million (FY2024: approximately RMB8.6 million) for the FY2025.

The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing its corporate development needs.

DIVIDEND

The Board does not recommend the payment of any final dividend for the FY2025 (FY2024: Nil).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix C1 to the Listing Rules which was effective during the year as its own code of corporate governance. Save as disclosed below, during the year ended 31 December 2025, the Company has complied with the code provisions set out in the CG Code.

Under the code provision C.1.8 of the CG Code, an issuer should arrange appropriate insurance coverage in respect of legal action against its directors. Upon the expiry of previous directors and officers liability insurance on 6 December 2024, the Company has not maintained any insurance coverage in respect of potential legal actions against its Directors from 7 December 2024 until the date of this report. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual lawsuits against the Directors is remote.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

The Board sets the Group’s overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on important matters such as review and approval of annual and interim results, significant transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group’s businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for formulating, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, the training and continuous professional development of Directors and senior management and code of conduct and compliance manual (if any) applicable to employees and Directors. The Board also reviews the disclosures in the corporate governance report to ensure compliance with the applicable Listing Rules.

All Board members have separate and independent access to the Group’s senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group’s expenses upon their request. The Board considered that the above mechanisms, which are reviewed by the Board on an annual basis, have been implemented and was effective to ensure that independent views and input are available to the Board during the year ended 31 December 2025.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding in other companies or organisations. These interests are updated on an annual basis and when necessary.

None of the members of the Board is related to each other.

The Company expects to conduct a formal evaluation of the Board’s performance before the publication of the annual report of the Company for the year ending 31 December 2026.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Each newly appointed Director is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development in the Listing Rules and other applicable legal and regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. The participations by each of the Directors in the continuous professional development are recorded.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2025, Mr. Yuan Hongbing acted as the chairman of the Company and Mr. Ma Qinghai acted as the chief executive officer of the Company.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective views and opinions to the Board and give adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent.

ATTENDANCE RECORDS OF DIRECTORS

Details of Directors' attendance at the annual general meeting ("AGM"), Board and board committee meetings in the year ended 31 December 2025 are set out in the following table.

	Board	Audit Committee	Number of meetings attended/held Remuneration Committee	Nomination Committee	CG Committee	AGM
Executive Directors						
Mr. Yuan Hongbing	4/4	-	-	-	-	1/1
Mr. Ma Qinghai	4/4	-	-	-	-	1/1
Non-executive Directors						
Mr. Chen Zhongzheng	4/4	-	-	-	-	1/1
Mr. Zhou Jinkai	4/4	-	-	-	-	0/1
Independent non-executive Directors						
Ms. Li Yan	4/4	3/3	1/1	1/1	1/1	1/1
Dr. Lowe Chun Yip	4/4	3/3	1/1	-	-	1/1
Mr. Wong Tung Yuen	4/4	1/1	-	1/1	1/1	1/1
Mr. Khor Khie Liem Alex (retired on 26 June 2025)	3/3	2/2	1/1	1/1	1/1	0/1

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board is supported by four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the CG Committee. Each Board committee has its defined and written terms of reference approved by the Board setting out its duties, powers and functions. Their terms of reference are available on the Company's website.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The members of the Audit Committee during the year ended 31 December 2025 and up to the date of this report are as follows:

Ms. Li Yan
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen (appointed on 26 June 2025)
Mr. Khor Khie Liem Alex (retired on 26 June 2025)

Ms. Li Yan has been the chairman of the Audit Committee with effect from 10 March 2023.

The primary functions of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. These include reviewing the interim and annual results and reports of the Company.

During the year ended 31 December 2025, the Audit Committee held three meetings and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024, the financial statements of the Group for the six months ended 30 June 2025, and the effectiveness of the internal control system of the Group, including the report prepared by the external consultant.

Remuneration Committee

The members of the Remuneration Committee during the year ended 31 December 2025 and up to the date of this report are as follows:

Ms. Li Yan
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen (appointed on 26 June 2025)
Mr. Khor Khie Liem Alex (retired on 26 June 2025)

Ms. Li Yan was appointed as chairman of the Remuneration Committee with effect from 10 March 2023.

CORPORATE GOVERNANCE REPORT

The primary functions of the Remuneration Committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and, adopting the approach under Code provision E.1.2(c)(ii), make recommendations to the Board on the remuneration package of individual executive Director and senior management, the remuneration of non-executive Directors and on the establishment of a formal and transparent process for developing such remuneration policy and review the share scheme(s) of the Company. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees to be paid to members of the Board, prevailing market rates and other factors such as each Director's workload, performance, responsibilities, job complexity and the Group's performance are taken into account. The Remuneration Committee is also responsible for reviewing the share schemes of the Company.

During the year ended 31 December 2025, the Remuneration Committee held one meeting and reviewed the remuneration policy and structure and the existing terms of remuneration relating to the Directors and senior management of the Company and the terms of the share option scheme of the Company.

The remuneration of the members of the senior management of the Group by bands for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of persons
Nil to HK\$1,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

Nomination Committee

The members of the Nomination Committee during the year ended 31 December 2025 and up to the date of this report are as follows:

Mr. Wong Tung Yuen (*chairman*)
Ms. Li Yan
Dr. Lown Chun Yip (appointed on 26 June 2025)
Mr. Khor Khie Liem Alex (retired on 26 June 2025)

Mr. Khor Khie Liem Alex has been the chairman of the Nomination Committee with effect from 28 March 2023 and retired on 26 June 2025. With effect from 26 June 2025, Mr Wong Tung Yuen has been appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

The primary functions of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible for considering and making recommendations to the Board suitably qualified persons to become a member of the Board, monitor the succession planning for Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementation of the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the year ended 31 December 2025, the Nomination Committee held one meeting and reviewed the structure, size and composition of the Board, and assessed Board Diversity Policy, nomination policy and independence of the independent non-executive Directors.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee. Notwithstanding the aforesaid, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on various criteria to determine whether such candidate is qualified for directorship. Those criteria include but not limited to, character and integrity, professional qualifications, skills, knowledge and experiences, potential contributions the candidate can bring to the Board, willingness and ability to devote adequate time to discharge duties as a member of the Board, and such other perspectives that are appropriate to the Company's business and succession plan. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

CG Committee

The members of the CG Committee during the year ended 31 December 2025 and up to the date of this report are as follows:

Ms. Li Yan
Mr. Wong Tung Yuen
Dr. Lowe Chun Yip (appointed on 26 June 2025)
Mr. Khor Khie Liem Alex (retired on 26 June 2025)

Ms. Li Yan was appointed as the chairman of the CG Committee.

The primary functions of the CG Committee include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the CG Committee held one meeting to review, among others, the Company's policies and practices on corporate governance, continuous professional development of the Directors and senior management of the Group, the policies and practices on compliance with legal and regulatory requirements and Company's compliance with the CG code.

BOARD PROCEEDINGS

Regular Board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Any Director may propose to the chairman or the company secretary of the Company to include matters in the agenda for regular board meetings.

During the year ended 31 December 2025, the Board held four Board meetings and one annual general meeting was held by the Company.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in favour of the relevant board resolutions as appropriate.

Minutes of meetings of the Board and Board committees are kept by the company secretary of the Company with sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

During the year ended 31 December 2025, all Directors had access to the advice and services of the company secretary of the Company with a view to ensuring the Board procedures are followed.

MEETING WITH INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2025, the chairman of the Company had one meeting with the independent non-executive Directors without the presence of other Directors or senior management to review and discuss, among other things, any issue which is of special concern of the independent non-executive Directors and confirmed that the independent non-executive Directors can express their views in Board meetings without restrictions.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Yuan Hongbing has entered into a service contract with the Company for a term of three years commencing from 28 March 2023. Ms. Li Yan has entered into a service contract with the Company for a term of three years commencing 10 March 2023.

Mr. Ma Qinghai has entered into a service contract, and each of Mr. Chen Zhongzheng and Mr. Zhou Jinkai has entered into a letter of appointment with the Company for a term of three years commencing from 2 April 2024. Each of Dr. Lowe Chun Yip and Mr. Wong Tung Yuen has entered into a letter of appointment with the Company for a term of three years commencing from 20 May 2024. All Directors are subject to retirement and re-election at annual general meeting of the Company in accordance with the Company's articles of association.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's articles of association, a person may be elected as a Director either by the Shareholders in general meeting or appointed by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following annual general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years and are subject to re-election by the Shareholders at the annual general meetings.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy"). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Company considers that it has complied with the Board Diversity Policy. As at 31 December 2025, the Board comprised seven Directors, six of which were male Directors and one of which was female Director, with different age, educational background and professional experience. The Board and the Nomination Committee will review the Board Diversity Policy to ensure its effectiveness.

At the Group's senior management and entire workforce levels, approximately 50% and 63% of them are female respectively. The Board considered it has achieved gender balance at all levels, and shall strive to maintain not less than 10% of the personnels with different gender across all three levels (i.e. the Board, senior management and entire workforce level) through nomination, recruitment and promotion processes.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Model Code"). Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2025.

Senior management who, because of their offices in the Group, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Lui Mei Ka (“Ms. Lui”) has been appointed as the company secretary of the Company with effect from 15 July 2024. Ms. Lui is an external service provider whose primary contact person in the Group was Mr. Yuan Hongbing, the chairman and executive Director.

Ms. Lui, graduating from The Chinese University of Hong Kong with a degree in bachelor of business administration, is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Lui currently serves as the managing director of Merit Corporate Services Company Limited. Ms. Lui has been an independent non-executive director of China Tangshang Holdings Limited (stock code: 674), GoFintech Innovation Limited (stock code: 290) and China Tontine Wines Group Limited (stock code: 389), which are listed on the Main Board of the Stock Exchange, since 21 April 2017, 19 September 2023 and 30 September 2024, respectively.

Ms. Lui has over 17 years of experience in financial management and corporate finance. From October 2016 to July 2018, she was the chief financial officer and company secretary of GR Life Style Company Limited (formerly known as GR Properties Limited) (stock code: 108), a company listed on the Main Board of the Stock Exchange, which is engaged in property development and investment. From March 2014 to May 2016, she was the company secretary and financial controller of LT Commercial Real Estate Limited, a company previously listed on the Main Board of the Stock Exchange under the stock code 112, which was engaged in property development and investment.

During the year ended 31 December 2025, the company secretary of the Company complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial Reporting

The Board acknowledges its responsibility to prepare the Company’s accounts which give a true and fair view of the Group’s state of affairs, results and cash flows for the year ended 31 December 2025 and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates.

The responsibilities of Forvis Mazars CPA Limited (“Forvis Mazars”), the Company’s external auditor, with respect to financial reporting are set out in the section headed “Independent Auditor’s Report” in this annual report.

The auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2025 includes paragraphs regarding material uncertainty related to going concern as set out on page 42 of this annual report.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 13.49 of the Listing Rules, the Company was required to publish an announcement for the annual results for the year ended 31 December 2024 (the “2024 Annual Results Announcement”) on a date not later than three months after the financial year end, i.e. on or before 31 March 2025. There was a delay in the publication of the 2024 Annual Results Announcement. As at 31 March 2025, the Company was still in the process of collecting and collating the necessary information and documents for the auditors to complete its audit work in relation to the annual results for the year ended 31 December 2024, including but not limited to certain confirmations (e.g., the confirmation from the Company’s scheme administrator) for audit purpose were still not yet received by the auditors. Those outstanding information and documents for completion of audit work included confirmation from the Company’s scheme administrators and confirmations in relation to the property development project and the stock of the Group from relevant counterparties. The delay of obtaining such confirmations was due to prolonged period of time for the verification process of admitted claims with all scheme creditors by the scheme administrator, unexpected change of internal staff of scheme administrators and unexpected delay of internal verification procedures of the confirmations by the relevant counterparties. Further, the confirmation in relation to the property development project of the Group was also outstanding. The 2024 Annual Results Announcement was published on 30 April 2025. For further details, please refer to the announcements of the Company dated 31 March 2025 and 22 April 2025.

In order to avoid delay in the publication of annual results announcements in the future, the Company will endeavour to send out its confirmation requests earlier in order to allow sufficient time for the relevant confirming parties to process the same. The Company will also closely follow up the same with the confirming parties on the progress.

Risk Management and Internal Controls

The Board acknowledges that it is the responsibility of the Board for establishing and maintaining appropriate and effective risk management and internal control systems. Also, the Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness on an annual basis. The established systems are 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.

During the Reporting Period, the Board had outsourced its internal audit function to an independent internal audit firm (the “Internal Auditor”). The Internal Auditor reports directly to the Audit Committee once a year on all internal audit matters. The Audit Committee reviewed the internal audit report and would monitor the implementation of the improvements required on internal control weaknesses identified.

Even though the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems and for reviewing its effectiveness. The Audit Committee and the Board would review the risk management and internal control systems once annually. Based on the review of the Group’s internal control systems by the Internal Auditor, the Directors were satisfied that effective and adequate internal control measures as appropriate to the Group for the year ended 31 December 2025 were implemented properly and that no significant areas of weaknesses were identified.

Policies and procedures for releasing information to external parties had been established and are in place, which covers the handling and dissemination of inside information, with an aim to provide accurate, complete and timely information to all stakeholders of the Group. These policies and procedures define the class and form of the information to be disclosed, the procedures for dissemination and disclosure of information, and communication with investors, financial analysts and media. They also include the policies for communication with shareholders, and the information management for subsidiaries and associated companies of the Company.

CORPORATE GOVERNANCE REPORT

The Company's vision is to become the leading pharmaceutical company by leveraging on its solid foundation in the PRC and has formulated a set of values and strategy guiding its operation. The vision has been considered with significance when developing the Group's internal policies and making day-to-day business decisions so that the Group would not take undue risks to make short-term gains at the expense of such long-term objectives.

EXTERNAL AUDITORS

On 9 December 2024, CCTH CPA Limited resigned as external auditors of the Company and Forvis Mazars was appointed as the external auditors of the Company on 9 December 2024 to fill the casual vacancy so arising from the resignation of CCTH CPA Limited. The independence of the external auditors is recognised and reviewed by the Board and the Audit Committee on an annual basis. For the year ended 31 December 2025, the fees paid and payable to Forvis Mazars in respect of their audit services provided to the Group were RMB1.3 million and the fees paid to Forvis Mazars in respect of non-audit service assignment amounted to RMB 70,000.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year under review.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chen Yenfei and Praise Treasure Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). To protect the Group from any potential competition with the Controlling Shareholders, the Controlling Shareholders have executed the Deed of Non-competition (the "Deed of Non-competition") in favor of the Company on 26 May 2015.

The Company has adopted the following measures to manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking:

- (a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition;
- (b) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) the Company will disclose the decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of the Company; and
- (d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition and disclose the same in the annual reports of the Company.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders. Each of the Controlling Shareholders has confirmed in writing to the Company that he/it has complied with the Deed of Non-competition for the year ended 31 December 2025. Based on such written confirmation from the Controlling Shareholders and other appropriate queries made by the independent non-executive Directors, the independent non-executive Directors considered that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, through its corporate governance measures, provide all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow the Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders can meet and exchange views with the Board, and to exercise their right to vote at meetings. Prior notices of meetings with sufficient notice period in compliance with the articles of association of the Company and the Listing Rules and circulars containing details on the proposed resolutions will be sent to the Shareholders before the meeting. At the general meetings, separate resolutions are proposed on each material matter, including the election/re-election of each individual Directors. One general meeting was held during the year ended 31 December 2025.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend general meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and/or Board committees at the general meetings or providing written proposals for the attention of the Board at the principal place of business of the Company in Hong Kong (currently situated at Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong).

(iii) Convening extraordinary general meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, an aggregate of not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary of the Company and deposited at the principal place of business of the Company in Hong Kong (currently situated at Suites 2601–2603, 26/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong) for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures as set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 21 clear days prior to the meeting. Poll voting has been adopted for decision-making at general meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

CORPORATE GOVERNANCE REPORT

(iv) Procedures for proposing a person for election as a Director

Pursuant to the article 85 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined therein) provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Board, namely (i) his/her notice of intention to propose a resolution at the general meeting; and (ii) a notice signed by the nominated candidate of the candidate's willingness to be appointed as a Director together with (A) that candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information, as set out in the below paragraph headed "Required information of the candidate(s) nominated by Shareholders", and (B) the candidate's written consent to the publication of his/her personal data.

Required information of the candidate(s) nominated by Shareholders

In order to enable the Shareholders to make an informed decision on their election of Directors, the abovementioned notice of intention to propose a resolution by a Shareholder should be accompanied by the following information of the nominated candidate(s):

- (a) full name and age;
- (b) positions held with the Company and its subsidiaries (if any);
- (c) experience including (i) other directorships held in public companies of which the securities are listed on any securities market in Hong Kong and overseas in the past three years, and (ii) other major appointments and professional qualifications;
- (d) current employment and such other information (which may include business experience and academic qualifications) of which Shareholders should be aware of, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with the Company;
- (f) relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company, or an appropriate negative statement;
- (g) interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), or an appropriate negative statement;
- (h) a declaration made by the nominated candidate in respect of the information required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor there are any other matters relating to that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention; and
- (i) contact details.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution at the general meeting.

Having considered the above communication measures and channels, the Company considers the Shareholders communication policy is effective and sufficient during the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There was no change in the Memorandum and Articles of the Company for the year ended 31 December 2025.

The Memorandum and Articles of the Company are available on the websites of the Stock Exchange and the Company.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the “Dividend Policy”), which sets out the procedure on declaring and recommending dividend payment of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- (i) results of operations;
- (ii) cash flows;
- (iii) financial condition;
- (iv) statutory and regulatory restrictions on the payment of dividends by the Company;
- (v) future prospects; and
- (vi) other factors that the Board may consider relevant.

Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. Dividends may be paid only out of the Company’s distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group’s operations.

Declaration and payment of dividends by the Company are also subject to the articles of association of the Company and the laws of the Cayman Islands.

There can be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy will continue to be reviewed from time to time by the Board.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management as at the date of this report are as follows:

EXECUTIVE DIRECTORS

Yuan Hongbing (袁紅兵), aged 48, was appointed as an executive Director with effect from 28 March 2023. Mr. Yuan has over 20 years of work experiences in investment industry. He is skilled in capital management, mergers and acquisitions as well as investment banking. Mr. Yuan is the founder and the chairman of the board of directors of Yuanchuang Capital, which is principally engaged in venture investment, investment in mergers and acquisitions and reorganization, industrial investment and fund management. Mr. Yuan has been an executive director and the chief executive officer of Jintai Energy Holdings Limited (“Jintai”), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (stock code: 2728), from 31 May 2019 to 14 October 2025 and from 27 September 2019 to 15 August 2025 respectively. Mr. Yuan has been a non-executive Director of Jintai from October 2025 onwards. Mr. Yuan was an executive director of China Clean Energy Technology Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2379), from 3 October 2022 to 17 March 2023.

Ma Qinghai (馬清海), aged 60, graduated from Jingdezhen Health School (景德鎮市衛生學校) in Jiangxi Province with major in medicine specialist (醫士專業) and once participated in the correspondence learning course of Traditional Chinese Medicine of Traditional Chinese Medicine (江西中醫學院) and the MBA training program of Shanghai University of Finance and Economics (上海財經大學). Mr. Ma has many years of experience in clinical medical practice, over 10 years of experiences in front-line practice of pharmaceutical marketing and over 10 years of experiences in the management in pharmaceutical enterprises. He served in several well-known domestic pharmaceutical enterprises, and just resigned as the assistant general manager of Sinopharm Holding Xinye (Hubei) Pharmaceutical Co., Ltd. (國藥控股鑫燁(湖北)醫藥有限公司) and the director of Guangji Business Division (廣濟事業部) of the company. Mr. Ma is a comprehensive professional manager with extensive experience in pharmaceutical enterprise management, marketing practice and team internal training.

Chen Zhongzheng (陳中正), aged 33, graduated from Wuhan Textile University and obtained a Bachelor's degree from the Engineering Department. He has many years of experience in business administration of enterprises and projects, including management experience in universal health projects. Mr. Chen is currently the assistant to the general manager of Zhongnan Fanhua Construction (Hubei) Co., Ltd. (中南泛華建設(湖北)有限公司).

Zhou Jinkai (周金凱), aged 73, graduated from the Renmin University of China with a Bachelor's degree in Business Administration. Mr. Zhou was the chairman of the board of directors of 深圳市金凱利實業發展有限公司 from 1993 to 2003 and 深圳市嘉士圖實業發展有限公司 from 2004 to 2012. Mr. Zhou was also the shareholder and director of China Dynamics (Holdings) Limited (中國動力(控股)有限公司) (now known as Ev Dynamics (Holdings) Limited) (stock code: 476), a company listed on the Main Board of the Stock Exchange, from 2013 to 2020. Mr. Zhou is currently the chairman of the board of directors of 香港宝祥國際有限公司 since 2021.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Yan (李燕), aged 48, graduated from the Wuhan Institute of Chemical Technology (武漢化工學院) (currently known as Wuhan Institute of Technology (武漢工程大學)) in July 2000 with a bachelor's degree in accounting. Ms. Li has been a Chinese Certified Public Accountant since 2002 and a Certified Financial Manager since 2014. She started to work in auditing in 2000 and worked in a well-known domestic accounting firm. Ms. Li has been engaged in accounting and financial management since 2008. She has been appointed as the chief financial officer of a number of listed companies, and led or participated in a number of investment, financing and merger and acquisition projects, and participated in a number of corporate restructuring and initial public offering projects of these companies.

Lowe Chun Yip (婁振業), aged 44, obtained a degree of Bachelor of Art and master of philosophy from the Chinese University of Hong Kong in December 2004 and December 2009, respectively. After completing his master's degree, he furthered his studies at the Free University of Berlin in Germany, where he successfully earned his doctorate in philosophy in February 2014. Dr. Lowe has an extensive academic background and a wealth of teaching experience. Dr. Lowe is currently a scholar serving as a lecturer at the Chinese University of Hong Kong and the Hong Kong Baptist University International College. His professional courses encompass a wide range of areas, including political philosophy, ethics of public policy, world civilization relations and classic readings. Dr. Lowe also held a position as a research associate at the Chinese University of Hong Kong, where his research expertise is primarily focused on moral and political philosophy, political economy and international relations. Dr. Lowe's academic research findings have been published in various international academic journals and presented at conferences. Dr. Lowe served as an independent non-executive director of China Smartpay Group Holdings Ltd., a company listed on the GEM of the Stock Exchange (stock code: 8325), during the period from December 2023 to August 2024. Dr. Lowe has also served as an independent non-executive Director of IDT International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 167), since September 2024.

Wong Tung Yuen (王東源), aged 35, has over 10 years of experience in capital markets advisory at various investment banks, specialising in initial public offerings and capital fund raising for companies in Hong Kong. He is the chief executive officer of Anchorage Capital (Hong Kong) Limited since November 2025 and had been previously working in several corporate finance advisory companies. Mr. Wong obtained a bachelor degree in accounting and finance from Lancaster University in the United Kingdom in 2013 and a master degree in management from University College London in the United Kingdom in 2015. Mr. Wong has been an independent non-executive Director of Ganglong China Property Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6968), during the period from December 2023 and June 2025.

SENIOR MANAGEMENT

Li Xiaoduo (李小多), aged 58, is a manager in charge of the manufacturing operation of the Group. Mr. Li joined the Group in 1998 and is mainly responsible for the production and quality control of the Group. Mr. Li has over 18 years of experiences in the pharmaceutical industry. Mr. Li was appointed as the deputy general manager of Wuhan Baixin Holdings Group Limited (武漢百信控股集團有限公司) since March 1998 in charge of manufacturing operation. Prior to joining the Group, he was the workshop supervisor and chief of biotech of Chengdu Di Kang Pharmaceuticals Limited (成都迪康製藥公司) from February 1996 to February 1998. He also worked for Chongqing Oriental Pharmaceutical Co., Limited (重慶東方藥業股份有限公司) from July 1994 to February 1996, responsible for developing new products. Mr. Li graduated from Chengdu College of Traditional Chinese Medicine (成都中醫學院) in July 1994, majoring in traditional Chinese medicine.

Tang Zaixiu (唐再秀), aged 47, is the head of accounting department of the Group. She is mainly responsible for daily accounting. Ms. Tang has over 15 years of experiences in accounting. She has worked as the cashier, accountant, financial supervisor and financial manager of Chengdu Kexun since 1999. Ms. Tang graduated from Chongqing Technology and Business University (重慶工商大學) on 30 June 2007, majoring in accounting.

REPORT OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2025 and further discussion and analysis, including an indication of the likely future developments in the Group's business are set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of Directors.

CORPORATE INFORMATION

The Company was incorporated on 3 May 2011 as a limited liability company under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). The Shares were listed on the Stock Exchange on 19 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group primarily operates two business segments in China, namely (1) pharmaceutical distribution; and (2) pharmaceutical manufacturing. The analysis of the revenue of the principal activities of the Group during the year ended 31 December 2025 is set out in note 4 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 48 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF DIRECTORS

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial risks. The Group's key risk exposures are summarised as follows:

Compliance risks

(i) Qualitative factors

There are potential and inherent risks in the process of production, packaging, promotion, providing guidance services and selling pharmaceutical or health products by all the subsidiaries of the Group in the Company, self-operating or franchising entities, such as unsafe or defective products outflow to the market.

If the products cause injury or death due to qualitative factors and issues, the Company may face compensation and need to recall products. The PRC government may also order to cease the operation of the department which made the mistakes. Both the compensation and recall would severely affect the business, financial position and reputation of the Company.

The Company mitigates the risks by:

- (1) assessing as to whether it is necessary to purchase insurance to reduce potential economic losses caused by quality issues;
- (2) strictly selecting suppliers and obtaining pharmaceutical approval for products purchased;
- (3) regularly assessing the services provided by suppliers;
- (4) conducting safety inspection on the quality of each batch of products (including self-produced products and purchased products), and maintaining records of receipt and delivery of goods, records of batch production and relevant records of production;
- (5) consulting quality control consultants for quality and safety standards; and
- (6) regularly monitoring the market conditions of the industry, in order to ensure that no quality issues exist in the suppliers' and the Company's products for sale and materials purchased for production.

REPORT OF DIRECTORS

Strategic risks

(i) Acquisition risks

The Company may successfully expand its business by acquisition. One of the strategies of the Company is to continue to seek for acquisition and alliance. However, acquisition involves various risks and uncertainties that may affect the Company, including:

- (1) failure to identify a suitable acquisition target;
- (2) failure to complete acquisition on reasonable commercial terms and at reasonable acquisition cost;
- (3) failure to timely obtain the required approvals from government, consents from third parties and land use rights;
- (4) potential, unforeseeable or hidden financial obligation and legal liability of the acquisition target of the Company;
- (5) failure to achieve synergy, expected goals or benefits generated from acquisition; or requiring to generate enough turnover to recover acquisition cost; and
- (6) earnings per share or profit margin possibly being diluted due to the decline in profitability of the business acquired.

The Company mitigates the risks by:

- (1) carrying out detailed background investigation on the acquisition target and analysis on its effect on the existing business structure;
- (2) carrying out detailed due diligence and feasibility analysis on the acquisition target (including expected earnings, cost of capital, business and legal terms and performance of obligations, and so forth);
- (3) carrying out supervision and review on the execution of acquisition target; and
- (4) establishing investment project team specializing in the supervision and management on the preliminary work, execution and follow-up work of each acquisition target.

REPORT OF DIRECTORS

Operational risks

(i) Risk of non-compliance with safety standards

In recent years, the PRC government has been enhancing its supervision on the quality and safety standards of the pharmaceutical industry. If the Company fails to meet the quality and safety standards stipulated by the PRC government, the Company shall be fined and be required to invest fund immediately to make corresponding improvements in order to meet the existing standards. Thus, the Company's liquidity, profitability, expansion plans and other operational strategies may be affected. If the Company's products cause injury or death due to failure to meet standards stipulated by the PRC government, the Company shall be fined, prosecuted, or even be confronted with suspension crisis, which would severely affect the reputation of the Company.

The Company mitigates the risks by:

- (1) setting quality and safety standards in compliance with the standards stipulated by the PRC government;
- (2) consulting with quality control consultants for quality and safety standards;
- (3) keeping an eye on changes in the market and regulations of the pharmaceutical industry in the PRC, formulating response plans for changes, and if necessary, consulting with lawyers or quality control consultants for response plans; and
- (4) continuously updating and using compliance lists to ensure relevant personnel to carry out business and operation in compliance with the compliance lists.

(ii) Risk related to bidding for pharmaceuticals distribution

The Company operates agricultural distribution and selling business which primarily sells pharmaceuticals to hospitals and medical institutions in rural areas, provided that the Company can obtain the authority for pharmaceuticals supply from provincial or municipal governments through public bidding.

If the Company is unsuccessful in the bidding or fails in the bidding due to failure to timely response to changes in bidding procedures and policies, the Company will lose the authority to sell to provincial hospitals and other medical institutions, which will cause negative impacts on the agricultural distribution and selling business and market share of the Company. This will bring material and adverse impacts on the business operation, sustainable operation and cash flows of the Company.

REPORT OF DIRECTORS

The Company shall constantly strive to strengthen and develop its various competitive strength and advantage. For this purpose, it takes measures such as the following:

- (1) maintaining good communications and relationships with government departments and various medical institutions;
- (2) continuously monitoring and updating information on bidding for pharmaceuticals distribution; and
- (3) taking measures in response to unsuccessful bids, including changing sales strategies to allocate resources to explore other new sales channels (such as implementing online sales) and strengthening distribution and sales and expanding franchise network, etc.

(iii) Impacts caused by natural disasters

The Company's main production facilities are all located in Chengdu and Sichuan Province. If these production facilities in the same place are damaged due to attack by natural disasters such as flood, fire, or earthquake, the Company may be required to spend a lot of money and time for repairs. Meanwhile, if there is no alternative production equipment, it may cause insufficient production quantity or production interruption, and failure to meet customer demand, which may cause a decrease in the revenue of the Company.

The Company mitigates the risk by:

- (1) purchasing insurance to ensure the Company can get compensation and restore productivity as soon as possible; and
- (2) engaging professionals to carry out annual review on the safety of factory.

Financial risks

The Group is also subject to the following financial risks:

- (i) Foreign currency exchange risk
- (ii) Interest rate risk
- (iii) Credit risk
- (iv) Liquidity risk
- (v) Price risk

The above risks and uncertainties are not exhaustive and there may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

REPORT OF DIRECTORS

PLEGGED ASSETS

At 31 December 2025, the Group's leasehold land and buildings with aggregate net carrying amount of approximately RMB24.0 million (2024: approximately RMB26.5 million) were pledged to secure bank borrowings.

GEARING RATIO

The Group's gearing ratio is calculated by net debts divided by total equity. The Group's net debts include repayment obligations under the Scheme of Arrangement, bank borrowings, corporate bonds and other borrowings, less cash and cash equivalents. As at 31 December 2025, the Group's gearing ratio was -139.01% (2024: -152.7%).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY AND COMPLIANCE WITH LAWS AND REGULATIONS

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business.

The Group is subject to the following major PRC laws and regulations:

(i) Business operation

- Administrative Measures for the Registration of Pharmaceuticals 《藥品註冊管理辦法》
- Administrative Measures for Pharmaceutical Supply Permit 《藥品經營許可證管理法》
- Good Supply Practice Rules for Pharmaceuticals 《藥品經營質量管理規範》
- Measures for the Certification of Good Supply Practice of Pharmaceutical Operations 《藥品經營質量管理規範認證管理辦法》
- Good Manufacturing Practices (2010 Revision) 《藥品生產質量管理規範(2010年修訂)》

(ii) Environmental and social standards

- the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》
- the Labor Law of the PRC 《中華人民共和國勞動法》
- the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》
- the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》
- the Law of the PRC on Safe Production 《中華人民共和國安全生產法》
- the PRC Labor Contract Law 《中華人民共和國勞動合同法》

During the year under review, the Group has complied with all relevant laws and regulations in relation to its business including production, health and safety, workplace conditions, employment and the environment that have a significant impact on the Group.

The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials.

Further information about the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company.

REPORT OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 50% of the total sales for the year ended 31 December 2025 and sales to the largest customer included therein amounted to approximately 14% of the total sales for the year. The credit terms granted to major customers are 30 to 180 days which are in line with those granted to other customers. Purchases from the Group's five largest suppliers accounted for approximately 32% of the total purchases for the year ended 31 December 2025 and purchases from the Group's largest supplier included therein amounted to approximately 8% of the total purchases for the year.

The Group has established a business relationship with its five largest customers and suppliers for more than five years. Management of the Company conducts review on customer and supplier composition on a regular basis to monitor whether there is over-reliance on certain counterparty.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Being people-oriented, the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and stringent appraisal of its suppliers on an annual basis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2025 are set out in note 26 to the consolidated financial statements in this annual report.

REPORT OF DIRECTORS

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2025 are set out on page 52 in the consolidated statement of changes in equity of this annual report and in note 33(a) to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's accumulated losses amounted to approximately RMB803.3 million and the Company's share premium amounted to approximately RMB691.9 million. By passing an ordinary resolution of the Company, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act of the Cayman Islands. As at 31 December 2025, the Company did not have reserves available for distribution (2024: Nil).

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2025 are set out in note 21 to the consolidated financial statements in this annual report.

RESTRUCTURING AND SCHEME OF ARRANGEMENT

Since 2020, various winding-up petitions were presented against the Company. As at the date of this report, the Re-Re-Amended Petition remains subsisting. The Re-Re-Amended Petition was filed by the Substituting Petitioner against the Company for the Company's failure to settle the principal sum and interest payment with total amount of HK\$2,573,424.66 in respect of the bond issued to the 2022 Petitioner by the Company. The Substituting Petitioner of the Re-Re-Amended Petition has signed a consent summons on 9 November 2023, pursuant to which the petitioner has agreed the Re-Re-Amended Petition be dismissed. Order has been pronounced by the High Court of Hong Kong on 20 November 2023 that the Re-Re-Amended Petition be dismissed.

In or around early June 2023, in view of the winding-up petitions, the Company contemplates a restructuring of its overall indebtedness position in order to address the liquidity issue faced by the Company.

On 20 July 2023, the Company, through its legal advisors, made an ex parte application to the High Court to apply for leave to convene the Scheme Meeting for the purpose of considering and, if thought fit, approving the Scheme of Arrangement and related directions.

The Scheme Meeting was held on 18 October 2023. During the Scheme Meeting, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors present and voting in person or by proxy at the Scheme Meeting, have voted in favour of the Scheme of Arrangement. The High Court of Hong Kong sanctioned the Scheme of Arrangement on 1 November 2023. The Scheme of Arrangement was effective on 12 March 2024.

For details and progress of the restructuring and the Scheme of Arrangement, please refer to the announcements of the Company dated 25 July 2023, 11 August 2023, 8 September 2023, 15 September 2023, 25 September 2023, 18 October 2023 and 1 November 2023.

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Yuan Hongbing (*Chairman*)
Mr. Ma Qinghai (*Chief Executive Officer*)

Non-executive Directors:

Mr. Chen Zhongzheng
Mr. Zhou Jinkai

Independent non-executive Directors:

Ms. Li Yan
Dr. Lowe Chun Yip
Mr. Wong Tung Yuen
Mr. Khor Khie Liem Alex (retired on 26 June 2025)

Each of the executive Directors has entered into a service contract, and each of the non-executive Directors, and independent non-executive Directors has entered into a letter of appointment, with the Company for a term of three years, subject to termination by (i) each of the executive Directors by not less than three month's notice in writing served on the other; and (ii) each of the non-executive Directors and the independent non-executive Directors by service of notice in writing to the Company at least 15 days in advance or by the Company at any time. All Directors are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. The details of the remuneration of each of the Directors are disclosed in note 9 to the consolidated financial statements in this annual report.

As at 31 December 2025 and up to the date of this annual report, no Director who will be proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REPORT OF DIRECTORS

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 22 to 24 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2025.

CONTRACTS OF SIGNIFICANCE ENTERED INTO BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS

There are not any contracts of significance entered into between the Group and the controlling shareholders (within the meaning of the Listing Rules) of the Company (or any of their subsidiaries) which subsisted at any time during the year ended 31 December 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

PERMITTED INDEMNITY PROVISION

Upon the expiry of previous directors and officers insurance on 6 December 2025, the Company did not arrange any new insurance cover in respect of legal actions against its Directors and senior management arising out of corporate activities from 7 December 2025 up to the date of this report.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

The Company adopted the share option scheme (the “Share Option Scheme”) on 26 May 2015 for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 26 May 2015 and has expired on 25 May 2025 (the “Expiry Date”).

Subject to the requirement of the Listing Rules, eligible participants of the Share Option Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the persons referred above are the “Eligible Persons”).

In accordance with the resolution passed at the annual general meeting held in 28 June 2019 (“2019 AGM”), the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of the 2019 AGM, i.e. 147,499,290 Shares. During the year ended 31 December 2025, 100,000,000 share options have lapsed and no share options was granted, exercised or cancelled under the Share Option Scheme. As at 31 December 2025, there was no securities available for issue pursuant to the options granted under the Share Option Scheme.

As at 1 January 2025 and 31 December 2025, the total number of Shares in respect of which options available for grant under the Share Option Scheme were 147,499,290 Shares and nil respectively, representing in aggregate approximately 10% and 0% of the Company’s issued share capital as at the date of this interim report respectively. Prior to the Expiry Date, subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may grant options beyond the 10% limit to the Eligible Persons specifically identified by the Board.

Prior to the Expiry Date, the maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

REPORT OF DIRECTORS

SHARE OPTION SCHEME *(Continued)*

Subject to the requirements of the Listing Rules, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder (within the meaning of the Listing Rules) or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

Subject to the requirement of the Listing Rules, the exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

REPORT OF DIRECTORS

SHARE OPTION SCHEME (Continued)

The details of share options granted under the Share Option Scheme as at 31 December 2025 are set out as follows:

Name	Date of grant	Vesting date	Number of share options				Outstanding as at 31 December 2025
			Outstanding as at 1 January 2025	Granted during the year	Exercised during the year	Lapsed during the year	
Mr. Chen Rongxin (a former executive Director)	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	10,000,000	-
Mr. Zhang Xiongfeng (a non-executive Director)	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	10,000,000	-
Employees in aggregate	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	10,000,000	-
Other eligible participants in aggregate	7 September 2018	7 September 2018	70,000,000 (Note 1)	-	-	70,000,000	-
Total			100,000,000	-	-	100,000,000	-

Note:

- The exercise price of these options is HK\$0.67 and the exercise period is from 7 September 2018 to 25 May 2025, both dates inclusive. The closing price of the Shares immediately preceding the date of grant of these options was HK\$0.70. The Company received HK\$1.0 from each of the grantees of these options upon acceptance of the options granted.

The share option granted under all share schemes of the Company during the year ended 31 December 2025 divided by the weighted average number of Shares in issue (excluding treasury shares) was nil.

The Company will consider adopting a new share option scheme in compliance with the latest requirements under Chapter 17 of the Listing Rules as and when appropriate.

Save and except the Share Option Scheme, the Company did not have any other share scheme during the year ended 31 December 2025.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REPORT OF DIRECTORS

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme, of which share options may be granted to Eligible Persons. Details of the Share Option Scheme are set out in the paragraph headed “Share Option Scheme” in this report of Directors and note 27 to the consolidated financial statements in this annual report.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements in this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

- (1) Mr. Wong Tung Yuen, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee with effect from 26 June 2025 and has resigned as an independent non-executive director of Ganglong China Property Group Limited with effect from 27 June 2025; and
- (2) Dr. Lowe Chun Yip, an independent non-executive Director, has been appointed as a member of each of the Nomination Committee and the Corporate Governance Committee with effect from 26 June 2025.

Save as disclosed above and in the section headed “Directors and Senior Management” in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2025.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, during the year under review, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

REPORT OF DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executive of the Company) had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

(i) Substantial shareholder's long position in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital (Note 1)
Praise Treasure Limited	Beneficial owner	753,040,000	51.05%
Mr. Chen Yenfei	Interest of a controlled corporation	753,040,000	51.05%
	Beneficial owner	<u>13,560,000</u>	<u>0.92%</u>
		<u>766,600,000</u>	<u>51.97%</u>

(ii) Other persons' long positions in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital (Note 1)
Win Win Stable No. 3 Fund SP	Person having a security interest in shares	753,040,000	51.05%
Zhongtai International Asset Management (Singapore) Pte. Limited	Investment manager	753,040,000	51.05%
Osman Mohammed Arab (Note 2)	Agent	753,040,000	51.05%
Lai Wing Lun (Note 2)	Agent	753,040,000	51.05%

Notes:

- The total number of Shares in issue as at 31 December 2025 (i.e. 1,474,912,908 Shares) has been used for the calculation of the approximate percentage of interest.

REPORT OF DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

(ii) Other persons' long positions in the Shares *(Continued)*

Notes: (Continued)

2. 753,040,000 Shares (the "Charged Shares") were pledged by Praise Treasure Limited in favour of an original chargee whose rights have been assigned to Zhongtai International Asset Management (Singapore) Pte. Limited (for the account and on behalf of Win Win Stable No.3 Fund SP), and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint and several receivers and managers over the Charged Shares. The Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this annual report.

Save as disclosed above, as at 31 December 2025, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to the existing shareholders.

COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2025. Each of Mr. Chen Yenfei and Praise Treasure Limited (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 26 May 2015. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2025.

CONNECTED TRANSACTIONS

A summary of the material related party transactions entered into by the Group during the year ended 31 December 2025 is contained in note 32 to the consolidated financial statements in this annual report. The transactions summarised in such note do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS

CHARITABLE DONATIONS

There were no charitable donations made by the Group during the year ended 31 December 2025 (2024: Nil).

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management and auditor of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the annual financial statements for the year ended 31 December 2025.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 9 to 21 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued share of the Company required under the Listing Rules.

POSSIBLE TRANSACTION PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE

As disclosed in the Company's announcement dated 3 August 2022, the Board has been informed of the appointment of joint and several receivers and managers of the ordinary shares of HK\$0.001 each in the Shares held by PTL, a controlling shareholder of the Company.

As informed by PTL, 753,040,000 Shares (the "Charged Shares") were pledged by PTL in favour of the original chargee whose rights have been assigned to Win Win International Strategic Investment Funds SPC for the account and on behalf of Win Win Stable No. 3 Fund SP (the "Chargee") to secure certain indebtedness of PTL, and on 27 July 2022, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited (the "Receivers") were appointed as joint and several receivers and managers over the Charged Shares, which represented approximately 51.05% of the issued share capital of the Company. For the purpose of the Code on Takeovers and Mergers (the "Takeovers Code"), the offer period commenced on 3 August 2022.

As announced by the Company on 8 March 2023, the Board has been advised by PTL that PTL was still in negotiations with the Chargee regarding settlement of the outstanding indebtedness owed by PTL to the Chargee. After making appropriate enquiries with the Receivers, the Receivers informed the Board that they have not identified a potential purchaser for the Charged Shares. As such, the Company considered that a bona fide offer was not imminent. The offer period under Rule 26.1 of the Takeovers Code was closed on 8 March 2023.

Please refer to the announcements of the Company dated 3 August 2022, 5 September 2022, 5 October 2022, 7 November 2022, 7 December 2022, 9 January 2023, 9 February 2023 and 8 March 2023 for details.

REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the end of reporting period and up to the date of annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by Forvis Mazars CPA Limited.

Forvis Mazars CPA Limited shall retire and being eligible, offer themselves for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

On behalf of the Board
Pa Shun International Holdings Limited
Yuan Hongbing
Chairman and Executive Director

Hong Kong, 2 April 2026

INDEPENDENT AUDITOR'S REPORT



Forvis Mazars CPA Limited

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To the members of
Pa Shun International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pa Shun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 116, which comprise the consolidated statement of financial position at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2025, and of its financial performance and 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention in the "Going concern" section in Note 2 to the consolidated financial statements, the Group incurred a loss of approximately RMB15,856,000 and had net cash used in operating activities of approximately RMB10,093,000 for the year ended 31 December 2025 and, at that date, the Group had net current liabilities and net liabilities of approximately RMB17,353,000 and RMB147,981,000, respectively. At 31 December 2025, the Group had repayment obligations under the Scheme of Arrangement of approximately RMB160,244,000 as disclosed in Note 23 to the consolidated financial statements. At 31 December 2025, the Group had cash and cash equivalents of approximately RMB5,524,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in Note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
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<p>Impairment assessment of the property development project</p>	<p>Refer to Notes 2, 3 and 15 to the consolidated financial statements.</p> <p>Our key audit procedures, among others, included:</p> <ul style="list-style-type: none"> • evaluating the independent professional valuer's competence, capabilities and objectivity; • understanding the valuation methodology used by the independent professional valuer to estimate the recoverable amount; • involving our valuation specialists to assist us on assessment of valuation prepared by the independent professional valuer; • assessing the reasonableness of the valuation methodology, the key inputs, including the recent market transaction prices of comparable properties, estimated development cost and allowance of profit required for the developer, adjustments and assumptions adopted by the independent professional valuer based on our knowledge of the business and industry; and • considering the adequacy of the Group's disclosure in respect of the impairment assessment.
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Refer to Notes 2, 3 and 15 to the consolidated financial statements.

At 31 December 2025, the Group had made payments amounted to approximately RMB185,797,000 to Chengdu Yiming Investment Management Company Limited ("Chengdu Yiming") in connection with a property development project of a logistic centre in the People's Republic of China, of which impairment loss amounted to approximately RMB145,897,000 was recognised.

The management of the Group engaged an independent professional valuer to assess the recoverable amount of the property development project. The recoverable amount was determined using residual method based on the development potential of the properties as if it was completed in accordance with the existing development proposal at the date of valuation taken into consideration of the estimated market price and allowance of profit required for the developer as well as time factor less cost of disposal.

The assessment of the recoverable amount is inherently subjective as it involves the exercise of significant management's judgement and estimation.

As set out in Note 15 to the consolidated financial statements, the management of the Group concluded that the recoverable amount of the property development project was lower than its carrying amount and therefore, a further impairment loss of approximately RMB3,600,000 was recognised in profit or loss for the year ended 31 December 2025.

We have identified the impairment assessment of the property development project as a key audit matter due to the significance of the amounts involved, and the use of judgement and estimation made by the management of the Group.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
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Expected credit loss (“ECL”) assessment of trade and other receivables

<p>Refer to Notes 2, 3, 17 and 31 to the consolidated financial statements.</p>	<p>Our key audit procedures, among others, included:</p>
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At 31 December 2025, the Group had trade and other receivables with the net carrying amount of approximately RMB58,579,000 (after the loss allowance for ECL of approximately RMB303,683,000). The management of the Group measures ECL in accordance with HKFRS 9. In measuring the expected loss rates, the management of the Group assesses whether there are any significant changes in payment profiles and risk of default, and takes into consideration the current and forward-looking information, to adjust the expected loss rates.

We have identified ECL assessment of trade and other receivables as a key audit matter due to the significance of the amounts involved, and the use of judgement and estimation made by the management of the Group.

- obtaining an understanding of the Group's internal control and assessment processes for ECL assessment of trade and other receivables;

- assessing the reasonableness of the ECL methodology and the use of forward-looking information applied by the management of the Group in determining the loss allowance for ECL;

- testing and assessing, on a sample basis, whether the loss allowance for ECL was properly supported by considering the debtors' ageing analysis, settlement records and available forward-looking information; and

- considering the adequacy of the Group's disclosure in respect of the ECL assessment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in this 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.

INDEPENDENT AUDITOR'S REPORT

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 2 April 2026

The engagement director on the audit resulting in this independent auditor's report is:

Lam Kwok Sun

Practising Certificate number: P08281

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	4(a)	86,807	86,554
Cost of goods sold		<u>(74,793)</u>	<u>(69,496)</u>
Gross profit		12,014	17,058
Gain on restructuring of the financial liabilities	23	-	17,571
Other income, net	5	1,344	1,461
Selling and distribution expenses		(4,620)	(7,988)
Administrative and other operating expenses		(14,573)	(14,451)
Reversal of loss allowance for expected credit losses ("ECL") on trade receivables, net	17	11,560	3,805
Provision for loss allowance for ECL on other receivables	17	(1,415)	(4,999)
Impairment loss on property development project	15	(3,600)	(4,500)
Impairment loss on prepayments and deposits paid, net	18	(1,345)	(8,163)
Finance costs	6	<u>(15,034)</u>	<u>(14,800)</u>
Loss before tax	7	(15,669)	(15,006)
Income tax expenses	8	<u>(187)</u>	<u>(307)</u>
Loss for the year attributable to equity holders of the Company		<u>(15,856)</u>	<u>(15,313)</u>
Loss per share			
Basic and diluted (RMB cents)	12	<u>(1.07)</u>	<u>(1.04)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME***For the year ended 31 December 2025*

	2025	2024
Note	RMB'000	<i>RMB'000</i>
Loss for the year	<u>(15,856)</u>	<u>(15,313)</u>
Other comprehensive income (loss):		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of the Company's financial statements to presentation currency	8,538	(2,779)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of functional currency to presentation currency	1,141	(1,845)
Reclassification of exchange reserve upon deregistration of subsidiaries	34(e) (5,768)	-
Other comprehensive income (loss) for the year	<u>3,911</u>	<u>(4,624)</u>
Total comprehensive loss for the year attributable to the equity holders of the Company	<u>(11,945)</u>	<u>(19,937)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2025*

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	13	27,523	29,460
Right-of-use assets	14	1,770	1,821
Intangible assets		-	6
Property development project	15	39,900	43,500
		<u>69,193</u>	<u>74,787</u>
Current assets			
Inventories	16	19,651	37,834
Trade and other receivables	17	58,579	29,629
Prepayments and deposits paid	18	16,722	21,388
Amount due from a related party	32(b)	36	36
Cash and cash equivalents	19	5,524	15,972
		<u>100,512</u>	<u>104,859</u>
Current liabilities			
Trade and other payables	20	81,657	79,744
Bank borrowings	21	18,984	11,380
Amounts due to shareholders	32(b)	802	804
Amounts due to related parties	32(b)	419	396
Deferred income – government grant	25	512	512
Other borrowings	22	6,700	3,700
Repayment obligations under the Scheme of Arrangement	23	8,767	6,894
Income tax payables		24	98
		<u>117,865</u>	<u>103,528</u>
Net current (liabilities) assets		<u>(17,353)</u>	1,331
Total assets less current liabilities		<u>51,840</u>	<u>76,118</u>
Non-current liabilities			
Deferred income – government grant	25	20,469	20,981
Deferred tax liabilities	24	2,253	2,125
Other payables	20	5,846	3,296
Other borrowings	22	19,776	28,947
Repayment obligations under the Scheme of Arrangement	23	151,477	156,805
		<u>199,821</u>	<u>212,154</u>
NET LIABILITIES		<u>(147,981)</u>	<u>(136,036)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Capital and reserves			
Share capital	26	1,216	1,216
Reserves	28	<u>(149,197)</u>	<u>(137,252)</u>
NET DEFICIT		<u>(147,981)</u>	<u>(136,036)</u>

The consolidated financial statements on pages 48 to 116 were approved and authorised for issue by the Board of Directors on 2 April 2026 and signed on its behalf by

Yuan Hongbing
Director

Li Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 28(a))	Statutory reserve RMB'000 (Note 28(b))	Share option reserve RMB'000 (Note 28(c))	Exchange reserve RMB'000 (Note 28(d))	Other reserve RMB'000 (Note 28(e))	Accumulated losses RMB'000	
At 1 January 2024	1,216	691,882	33,143	11,456	(18,526)	(28,150)	(807,120)	(116,099)
Loss for the year	-	-	-	-	-	-	(15,313)	(15,313)
Other comprehensive loss:								
<i>Item that will not be reclassified to profit or loss:</i>								
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	(2,779)	-	-	(2,779)
<i>Item that may be reclassified subsequently to profit or loss:</i>								
Exchange differences on translation of functional currency to presentation currency	-	-	-	-	(1,845)	-	-	(1,845)
Total comprehensive loss for the year	-	-	-	-	(4,624)	-	(15,313)	(19,937)
At 31 December 2024	1,216	691,882	33,143	11,456	(23,150)	(28,150)	(822,433)	(136,036)
At 1 January 2025	1,216	691,882	33,143	11,456	(23,150)	(28,150)	(822,433)	(136,036)
Loss for the year	-	-	-	-	-	-	(15,856)	(15,856)
Other comprehensive income (loss):								
<i>Item that will not be reclassified to profit or loss:</i>								
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	8,538	-	-	8,538
<i>Items that may be reclassified subsequently to profit or loss:</i>								
Exchange differences on translation of functional currency to presentation currency	-	-	-	-	1,141	-	-	1,141
Reclassification of exchange reserve upon deregistration of subsidiaries (Note 34(e))	-	-	-	-	(5,768)	-	-	(5,768)
Total comprehensive loss for the year	-	-	-	-	3,911	-	(15,856)	(11,945)
Transactions with owners:								
<i>Classification and distributions:</i>								
Lapse of share option (Note 27)	-	-	-	(11,456)	-	-	11,456	-
At 31 December 2025	1,216	691,882	33,143	-	(19,239)	(28,150)	(826,833)	(147,981)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(15,669)	(15,006)
Adjustments for:		
Depreciation of property, plant and equipment	3,095	3,027
Depreciation of right-of-use assets	51	51
Amortisation of intangible assets	6	20
Amortisation of government grant	(512)	(512)
Write-down of inventories	-	(1,891)
Impairment loss on property development project	3,600	4,500
Reversal of loss allowance for ECL on trade receivables, net	(11,560)	(3,805)
Provision for loss allowance for ECL on other receivables, net	1,415	4,999
Provision for impairment loss on prepayments and deposits paid, net	1,345	8,163
Write-off of property, plant and equipment	18	9
Gain on restructuring of the financial liabilities	-	(17,571)
Bank interest income	(3)	(11)
Finance costs	15,034	14,800
Exchange differences, net	(11,081)	4,727
Operating cash flows before movements in working capital	(14,261)	1,500
Changes in working capital:		
Inventories	18,183	(30,565)
Trade and other receivables	(18,805)	6,194
Prepayments and deposits paid	3,321	35,778
Trade and other payables	1,602	(13,914)
Cash used in operations	(9,960)	(1,007)
Income tax paid	(133)	(669)
Net cash used in operating activities	(10,093)	(1,676)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,176)	(99)
Bank interest received	3	11
Net cash used in investing activities	(1,173)	(88)

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2025*

	2025	2024
Notes	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from bank loans	29(b) 18,984	11,380
Repayments of bank loans	29(b) (11,380)	(7,160)
Proceeds from other borrowings	29(b) 3,449	6,619
Repayments of other borrowings	29(b) (9,500)	(8,500)
Advances from (Repayment to) related parties	29(b) 23	(736)
Interest paid	29(b) (759)	(377)
	<u>817</u>	<u>1,226</u>
Net cash generated from financing activities	817	1,226
Net decrease in cash and cash equivalents	(10,449)	(538)
Cash and cash equivalents at beginning of the reporting period	15,972	16,511
Effect on exchange rate changes	<u>1</u>	<u>(1)</u>
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	19 <u>5,524</u>	<u>15,972</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Pa Shun International Holdings Limited (the “Company”, together with its subsidiaries referred to as the “Group”) was incorporated in the Cayman Islands on 3 May 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 June 2015. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is Suites 2601-2603, 26/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company’s principal subsidiaries are set out in Note 34 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements of the Company are presented in Renminbi (“RMB”) as the functional currency of the Group’s major operating subsidiaries is RMB. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2024 consolidated financial statements except for the adoption of the following revised HKFRS Accounting Standard that are relevant to the Group and effective from the current year as set out below.

Adoption of revised HKFRS Accounting Standard

The Group has applied, for the first time, the following revised HKFRS Accounting Standard that is relevant to the Group:

Amendments to HKAS 21	Lack of Exchangeability
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Amendments to HKAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Future changes in HKFRS Accounting Standards

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new / revised HKFRS Accounting Standards that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ^[1]
Annual Improvements to HKFRS Accounting Standards	Volume 11 ^[1]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ^[1]
HKFRS 18	Presentation and Disclosure in Financial Statements ^[2]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ^[2]
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency ^[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]

^[1] Effective for annual periods beginning on or after 1 January 2026

^[2] Effective for annual periods beginning on or after 1 January 2027

^[3] The effective date to be determined

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

Except for above, the directors of the Company do not anticipate that the adoption of the new / revised HKFRS Accounting Standards in future reporting periods will have any material impact on the financial performance and financial position of the Group.

Going concern

In preparing the consolidated financial statements, the management of the Group have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of approximately RMB15,856,000 and had net cash used in operating activities of approximately RMB10,093,000 for the year ended 31 December 2025 and, at that date, the Group had net current liabilities and net liabilities of approximately RMB17,353,000 and RMB147,981,000, respectively. At 31 December 2025, the Group had repayment obligations under the Scheme of Arrangement of approximately RMB160,244,000 as disclosed in Note 23 to the consolidated financial statements. At 31 December 2025, the Group had cash and cash equivalents of approximately RMB5,524,000.

The above events and conditions indicate that the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern, and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going concern (Continued)

In view of the above circumstances, the management of the Group has given careful consideration to the future liquidity and performance of the Group, the available sources of financing and has considered the Group's cash flow projection that covered a period of not less than twelve months from 31 December 2025 and to assess whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

1. The Group have completed the scheme of arrangement (the "Scheme of Arrangement") for the restructuring of its overall indebtedness position (as detailed in Note 23 to the consolidated financial statements) in 2024 that is aimed at alleviating the liquidity pressure and improving financial position of the Group, which had successfully lowered the liquidity burden on arrangement of loans. The details of the Scheme of Arrangement are set out in Note 23 to the consolidated financial statements.

The management of the Group understands from the Scheme Administrator (as defined in Note 23 to the consolidated financial statements) that the first annual cash payment of HK\$5,000,000 for the year 2024 was funded using the deposit seized by the Scheme Administrator for onward payment to the Scheme Creditors (as defined in Note 23 to the consolidated financial statements). The management of the Group is currently negotiating with the Scheme Administrator regarding the repayment of this first annual cash payment to the Scheme Administrator. Up to the date of approval of the consolidated financial statements, the management of the Group believes that the Scheme Creditors will not request immediate repayment of the entire outstanding obligations under the Scheme of Arrangement;

2. The management of the Group will continue to closely monitor the financial position of the Group and the directors of the Company will make every effort to (a) generate adequate cash flows from its operations; and (b) secure funds as may be necessary by pledge of the Group's assets including but not limited to the right-of-use assets and the property development project, or issuing new shares, as may be necessary to finance the business operations of the Group and meet repayment obligations of the existing debts when they fall due in the foreseeable future;
3. The Group is implementing measures to tighten cost controls over various operating expenses and to identify and secure new business opportunities in order to enhance its profitability and to improve the cash flow from its operation in the future;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going concern (Continued)

4. The Group continues to expand its product portfolio to meet new customer demands and to further enhance its market competitiveness; and
5. The Group continues to negotiate / seek opportunities with the financial institutions and / or individuals lenders for the renewal of existing / inception of the new financing arrangement to meet the Group's future working capital and financial requirements.
 - a) During the year ended 31 December 2025, the Group has successfully extended other borrowings of approximately RMB19,000,000 for a further 1 to 1.5 years, renewed bank borrowings of approximately RMB12,000,000 for an additional 1 year, and obtained new bank and other borrowings totalling approximately RMB10,433,000, respectively;
 - b) Subsequent to the end of the reporting period, the Group has also successfully renewed bank and other borrowings totalling approximately RMB5,449,000 for a further 1 year; and
 - c) Subsequent to the end of the reporting period, the Group has obtained a commitment from an independent third party who has demonstrated its ability to provide continuous financial support of approximately RMB13,460,000, as necessary, to enable the Group to meet its day-to-day operations and its financial obligations as they fall due.

Based on the latest information available, the management of the Group is of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the management of the Group will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to obtain adequate extra financing and / or generate sufficient cash flows from operation.

Should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case, adjustments might have to be made to the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an entity when the Group (i) has power over the entity, (ii) the Group is exposed, or has rights, to variable returns from its involvement with the entity and (iii) has the ability to use its power to affect those returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicated that there were changes to one or more of the aforementioned three elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investments are reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 - 30 years
Leasehold improvements	The shorter of the lease term and their useful life of 3 - 10 years
Machinery and equipment	5 - 10 years
Furniture and office equipment	3 - 10 years
Motor vehicles	4 - 10 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents items of leasehold improvements under construction, which is stated at cost less any impairment losses. Cost comprises direct costs of construction during the construction period. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the asset is substantially completed and ready for its intended use. No depreciation is provided in respect of construction in progress.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful lives are finite) and impairment losses, if any. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, amount due from a related party and cash and cash equivalents.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bank borrowings, other borrowings, repayment obligations under the Scheme of Arrangement and amounts due to a shareholder and related parties. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss (including interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

A financial liability is classified as held for trading if it is:

- (i) incurred principally for the purpose of repurchasing it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial liabilities are designated at initial recognition as at FVPL only if:

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
- (ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- (iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

Impairment of financial assets

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the past due information or other credit risk characteristics.

The Group recognises a loss allowance for ECL in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Assessment of significant increase in credit risk

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

- (i) the debtor's failure to make payments of principal or interest on the due dates;
- (ii) an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- (iii) an actual or expected deterioration in the operating results of the debtor; and
- (iv) actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for the receivables for which the Group has reasonable and supportable information to demonstrate otherwise.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's cash at banks and on hand are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the consolidated statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers within HKFRS 15

The Group is engaged in pharmaceutical distribution and manufacture of pharmaceutical products sale to external parties in the People's Republic of China (the "PRC").

Identification of performance obligations

At contract inception, the Group assesses the goods promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good (or a bundle of goods) that is distinct; or
- (b) a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

A good that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and
- (b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sales of pharmaceutical products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Revenue from other sources

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of sales of pharmaceutical products, it is common for the Group to receive from the customer the whole or some of the contractual payments before the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be accounted for as the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation. Contract liabilities in relation to advances from customers are recognised under "Trade and other payables".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its other subsidiaries is HK\$.

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

The results and financial position of all the group entities, that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of profit or loss are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, rights-of-use assets, property development project, intangible assets, prepayments and deposits paid and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Provisions

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, 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, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option (if any) – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired term of lease
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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessor – operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Refundable rental deposits

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

Employee benefits

(i) *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Defined contribution retirement benefits*

For the Company and its subsidiaries located in Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The entities within the Group in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The cost of all these schemes is charged to profit or loss of the Group for the reporting period concerned and the assets of all these schemes are held separately from those of the Group.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior periods is charged/credited to the profit or loss for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to share premium account) or the option expires (when it is released directly to accumulated losses).

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a holding company of the Group.

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

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's holding company.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the executive directors of the Company for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

(a) Going concern basis

As disclosed in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including the outcomes of the Group's plans and measures and the cash flow forecasts of the Group. Such measures inherently involve uncertainties. The future outcome of aforesaid events and conditions could differ significantly and hence render the adoption of the going concern basis inappropriate.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets, including property, plant and equipment, right-of-use assets, property development project and prepayments and deposits paid, at the end of each reporting period in accordance with the accounting policies as disclosed in Note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management of the Group has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

(c) Loss allowance on trade and other receivables

The Group estimates the loss allowance on trade and other receivables by assessing the recoverability based on credit history, ageing of the receivables balance and prevailing market conditions. The assessments are also determined based on ECL provisioning method which requires management's estimates and judgments. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the loss allowance in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the market conditions and management's experience would increase or decrease the write-down of inventories or the related reversals of write-down made in prior periods.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are pharmaceutical distribution and manufacture of pharmaceutical products in the PRC.

Revenue represents the sales value of goods supplied to customers (which is recognised on the basis of "at point in time"). The revenue of each significant segment is as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within HKFRS 15		
Pharmaceutical distribution	71,689	60,885
Pharmaceutical manufacturing	15,118	25,669
	86,807	86,554

(b) Segment reporting

The Group manages its business by business lines and distribution channels. In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Pharmaceutical distribution: This segment generates revenue primarily from the sales of pharmaceutical products to (i) wholesalers and (ii) hospitals and other medical institutions in rural areas.

Pharmaceutical manufacturing: This segment generates revenue primarily from the sales of pharmaceutical products manufactured by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

The CODM assesses the performance of the operating segments based on a measure of revenue and gross profit. No analysis of the Group's assets and liabilities by operating segments was regularly provided to the CODM for review during the years ended 31 December 2025 and 2024 for the purposes of resource allocation and assessment of segment performance.

(i) Segment revenue and results

Segment information regarding the Group's revenue and results as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

Year ended 31 December 2025					
Pharmaceutical distribution					
	Sales to wholesalers RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	42,427	29,262	71,689	15,118	86,807
Inter-segment revenue	-	-	-	1,149	1,149
Reportable segment revenue	42,427	29,262	71,689	16,267	87,956
Reportable segment profit	1,806	4,001	5,807	6,207	12,014
Year ended 31 December 2024					
Pharmaceutical distribution					
	Sales to wholesalers RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Sub-total RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	21,936	38,94	60,885	25,669	86,554
Inter-segment revenue	-	-	-	1,062	1,062
Reportable segment revenue	21,936	38,94	60,885	26,731	87,616
Reportable segment profit	960	6,46	7,426	9,632	17,058

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and the expenses incurred by those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue and segment profit

	2025 RMB'000	2024 RMB'000
Revenue		
Reportable segment revenue	87,956	87,616
Elimination of inter-segment revenue	<u>(1,149)</u>	<u>(1,062)</u>
Consolidated revenue	<u>86,807</u>	<u>86,554</u>
Profit / Loss		
Reportable segment profit	12,014	17,058
Gain on restructuring of the financial liabilities	-	17,571
Other income, net	1,344	1,461
Reversal of loss allowance for ECL on trade receivables, net	11,560	3,805
Provision for loss allowance for ECL on other receivables, net	(1,415)	(4,999)
Impairment loss on property development project	(3,600)	(4,500)
Impairment loss on prepayments and deposits paid, net	(1,345)	(8,163)
Selling and distribution expenses	(4,620)	(7,988)
Administrative and other operating expenses	(14,573)	(14,451)
Finance costs	<u>(15,034)</u>	<u>(14,800)</u>
Consolidated loss before tax	<u>(15,669)</u>	<u>(15,006)</u>
Other information:		
<i>Pharmaceutical distribution segment:</i>		
Depreciation for property, plant and equipment	(47)	(44)
Reversal of loss allowance for ECL on trade receivables, net	15,316	3,002
(Provision for) Reversal of loss allowance for ECL on other receivables, net	(410)	458
Provision of impairment loss on prepayments and deposits paid, net	(2,204)	-
Selling and distribution expenses	<u>(3,605)</u>	<u>(7,038)</u>
<i>Pharmaceutical manufacturing segment:</i>		
Depreciation for property, plant and equipment	(1,974)	(2,983)
(Provision for) Reversal of loss allowance for ECL on trade receivables, net	(3,756)	803
Provision for loss allowance for ECL on other receivables, net	(905)	(5,457)
Reversal of (Provision for) impairment loss on prepayments and deposits paid, net	859	(8,163)
Selling and distribution expenses	(1,015)	(950)
Reversal of write-down of inventories	<u>392</u>	<u>1,891</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Information about major customers

Revenue from external customers contributing over 10% of the Group's total revenue are as follow:

	2025 RMB'000	2024 RMB'000
Customer A from pharmaceutical manufacturing segment	-	19,378
Customer B from pharmaceutical distribution segment	*	10,503
Customer C from pharmaceutical distribution segment	12,119	*
Customer D from pharmaceutical distribution segment	9,470	*

* The corresponding customers did not contribute over 10% of the total revenue of the Group.

(iv) Geographical Information

The Group's segment revenue and segment profit were entirely derived from activities of pharmaceutical distribution and pharmaceutical manufacturing in the PRC for the years ended 31 December 2025 and 2024.

The principal assets employed by the Group were located in the PRC at 31 December 2025 and 2024. Accordingly, no analysis by geographical analysis on segment assets is provided.

5. OTHER INCOME, NET

	2025 RMB'000	2024 RMB'000
Bank interest income	3	11
Deferred income – government grant (Note 25)	512	512
Short-term lease rental income	916	897
Write-off of property, plant and equipment	(18)	(9)
Gain on deregistration of subsidiaries (Note 34(e))	6	-
Others	(75)	50
	<u>1,344</u>	<u>1,461</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCE COSTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on bank borrowings	536	377
Interest on corporate bonds payable	-	1,128
Interest on other borrowings	3,108	4,430
Imputed interest arising from repayment obligations under the Scheme of Arrangement (<i>Note 23</i>)	11,390	8,865
	15,034	14,800

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging (crediting):

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Staff costs, including directors' emoluments		
Salaries, allowances, discretionary bonus and other benefits in kinds	6,406	6,981
Retirement benefits scheme contributions	1,588	1,617
	7,994	8,598
Total staff costs (included in "cost of goods sold", "selling and distribution expenses" and "administrative and other operating expenses") (<i>Note (i)</i>)	7,994	8,598
Other items		
Auditors' remuneration		
- Audit services	1,300	1,300
- Non-audit services	70	-
Cost of inventories	74,793	69,496
Reversal of write-down of inventories (included in "cost of goods sold")	(392)	(1,891)
Amortisation of intangible assets (included in "administrative and other operating expenses")	6	20
Depreciation of property, plant and equipment (included in "cost of goods sold" and "administrative and other operating expenses")	3,095	3,027
Depreciation of right-of-use assets (included in "cost of goods sold" and "administrative and other operating expenses")	51	51
Advertising expenses	734	2,607
Short-term lease rental expenses (included in "administrative and other operating expenses") (<i>Note (ii)</i>)	417	417
	417	417

Notes:

- (i) For the years ended 31 December 2025 and 2024, there were no forfeited contributions in respect of contribution previously made which were available to reduce the Group's existing level of contributions to the relevant defined contribution retirement plans.
- (ii) At 31 December 2025, the Group was committed to pay approximately RMB83,000 (2024: approximately RMB355,000) for short-term lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. TAXATION

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	-	67
Under-provision in prior periods	<u>59</u>	<u>112</u>
	59	179
Deferred tax (<i>Note 24</i>)		
Origination of temporary differences	<u>128</u>	<u>128</u>
	<u>187</u>	<u>307</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the group entities incorporated in the Cayman Islands and the BVI are not subject to any income tax.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for years ended 31 December 2025 and 2024.

In March 2018, the two-tiered profits tax rates regime was introduced into the laws of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25% (the “graduated tax rate”), and assessable profits above HK\$2 million will be taxed at 16.5% for the years ended 31 December 2025 and 2024. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the years ended 31 December 2025 and 2024.

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 December 2025 and 2024.

The income tax expenses can be reconciled to loss before tax as per the consolidated statement of profit or loss as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss before tax	<u>(15,669)</u>	<u>(15,006)</u>
Tax charge on loss before tax, calculated at the statutory tax rates applicable in the jurisdictions concerned	(3,917)	(3,994)
Effect of non-deductible expenses	4,804	2,604
Effect of non-taxable income	(358)	(2,899)
Effect of temporary differences previously not recognised	(1,301)	2,997
Effect of tax loss not recognised	900	1,487
Under-provision for prior periods	<u>59</u>	<u>112</u>
Income tax expenses	<u>187</u>	<u>307</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(a) Directors' remuneration

The aggregate amounts of remuneration received and receivables by the directors of the Company are as follows:

Year ended 31 December 2025

	Directors' fees <i>RMB'000</i>	Salaries, allowances and other benefits in kinds <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<u>Executive directors</u>					
Mr. Yuan Hongbing	-	146	-	-	146
Mr. Ma Qinghai	-	187	-	-	187
<u>Non-executive directors</u>					
Mr. Chen Zhongzheng	-	-	-	-	-
Mr. Zhou Jinkai	-	-	-	-	-
<u>Independent non-executive directors</u>					
Ms. Li Yan	-	-	-	-	-
Mr. Khor Khie Liem Alex (Note 5)	-	-	-	-	-
Mr. Wong Tung Yuen	-	-	-	-	-
Dr. Lowe Chun Yip	-	-	-	-	-
	-	333	-	-	333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

(a) Directors' remuneration (Continued)

Year ended 31 December 2024

	Directors' fees RMB'000	Salaries, allowances and other benefits in kinds RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
<u>Executive directors</u>					
Mr. Yuan Hongbing	-	-	-	-	-
Mr. Ma Qinghai (Note 1)	-	146	-	-	146
Mr. Feng Junzheng (Note 2)	-	-	-	-	-
Professor Xiao Kai (Note 2)	-	-	-	-	-
<u>Non-executive directors</u>					
Mr. Zhang Tong (Note 3)	-	-	-	-	-
Mr. Chen Yunwei (Note 3)	-	-	-	-	-
Mr. Chen Zhongzheng (Note 4)	-	-	-	-	-
Mr. Zhou Jinkai (Note 4)	-	-	-	-	-
<u>Independent non-executive directors</u>					
Ms. Li Yan	-	-	-	-	-
Mr. Khor Khie Liem Alex	-	-	-	-	-
Mr. Wong Tung Yuen (Note 6)	-	-	-	-	-
Dr. Lowe Chun Yip (Note 7)	-	-	-	-	-
Mr. Cao Lei (Note 8)	-	-	-	-	-
	-	146	-	-	146

Notes:

- Mr. Ma Qinghai was appointed as an executive director of the Company on 2 April 2024.
- Mr. Feng Junzheng and Professor Xiao Kai were retired as executive directors of the Company on 22 February 2024.
- Mr. Zhang Tong and Mr. Chen Yunwei were retired as non-executive directors of the Company on 22 February 2024.
- Mr. Chen Zhongzheng and Mr. Zhou Jinkai were appointed as non-executive directors of the Company on 2 April 2024.
- Mr. Khor Khie Liem Alex was retired as an independent non-executive director of the Company on 26 June 2025.
- Mr. Wong Tung Yuen was appointed as an independent non-executive director of the Company on 20 May 2024.
- Dr. Lowe Chun Yip was appointed as an independent non-executive director of the Company on 20 May 2024.
- Mr. Cao Lei was retired as an independent non-executive director of the Company on 22 February 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(Continued)*

(a) Directors' remuneration *(Continued)*

During the years ended 31 December 2025 and 2024, there were no amounts were paid or payable by the Group to any of the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 December 2025 and 2024.

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company or their connected entities that were entered into or subsisted during the years ended 31 December 2025 and 2024.

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors of the Company are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or connected entity of the directors of the Company, had a material interest, whether directly or indirectly, subsisted at the end of the years ended 31 December 2025 and 2024 or at any time during the years ended 31 December 2025 and 2024.

10. FIVE HIGHEST PAID INDIVIDUALS

No directors are included in the aggregate emoluments of the five highest paid individuals during the years ended 31 December 2025 and 2024.

The emoluments of the five *(2024: five)* highest paid non-director individuals are as follows:

	2025	2024
	RMB'000	RMB'000
Salaries, allowance, discretionary bonus and other benefits in kinds	1,001	1,197
Retirement benefits scheme contributions	118	209
	1,119	1,406

The emoluments of the five *(2024: five)* highest paid non-director individuals are within the following bands:

	Number of individuals	
	2025	2024
HK\$Nil to HK\$1,000,000	5	5

During the years ended 31 December 2025 and 2024, there were no amounts were paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which the five highest paid individuals waived or agreed to waive any emoluments for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2025 (2024: Nil) nor had any dividend been proposed since the end of the reporting period (2024: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to the owners of the Company for the years ended 31 December 2025 and 2024 is based on the following data:

	2025 RMB'000	2024 RMB'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(15,856)</u>	<u>(15,313)</u>
	2025	2024
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,474,993,000</u>	<u>1,474,993,000</u>

(b) Diluted loss per share

Weighted average number of ordinary shares

The calculation of diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i> <i>(Note)</i>	Leasehold improvements <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost							
At 1 January 2024	54,034	4,883	9,907	2,117	1,512	3,463	75,916
Additions	-	-	99	-	-	-	99
Transfer upon completion	-	3,463	-	-	-	(3,463)	-
Write-off	-	-	-	(78)	(232)	-	(310)
<hr/>							
At 31 December 2024 and 1 January 2025	54,034	8,346	10,006	2,039	1,280	-	75,705
Additions	-	413	425	25	-	313	1,176
Transfer upon completion	-	-	313	-	-	(313)	-
Disposals	-	-	(23)	(50)	-	-	(73)
<hr/>							
At 31 December 2025	54,034	8,759	10,721	2,014	1,280	-	76,808
<hr/>							
Accumulated depreciation and impairment losses							
At 1 January 2024	25,833	4,402	9,783	1,989	1,512	-	43,519
Depreciation	2,430	533	20	44	-	-	3,027
Eliminated on write-off	-	-	-	(69)	(232)	-	(301)
<hr/>							
At 31 December 2024 and 1 January 2025	28,263	4,935	9,803	1,964	1,280	-	46,245
Depreciation	2,430	610	51	4	-	-	3,095
Eliminated on disposals	-	-	(7)	(48)	-	-	(55)
<hr/>							
At 31 December 2025	30,693	5,545	9,847	1,920	1,280	-	49,285
<hr/>							
Carrying amount							
At 31 December 2025	23,341	3,214	874	94	-	-	27,523
<hr/>							
At 31 December 2024	25,771	3,411	203	75	-	-	29,460
<hr/>							

Note:

The Group's buildings are located on leasehold land in the PRC.

At 31 December 2025, approximately RMB23,341,000 (2024: approximately RMB25,771,000) of the buildings was pledged as security of the Group's bank borrowings (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
At 1 January 2024	1,872
Depreciation	(51)
	<hr/>
At 31 December 2024 and 1 January 2025	1,821
Depreciation	(51)
	<hr/>
At 31 December 2025	1,770
	<hr/> <hr/>

The leasehold lands represent prepaid land lease payments in respect of lands located in the PRC. Such leased lands are amortised over the periods ranging from 43 to 50 years (2024: 43 to 50 years).

At 31 December 2025, the carrying amount of a leasehold land approximately RMB707,000 (2024: approximately RMB724,000) was pledged as security of the Group's bank borrowings (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. PROPERTY DEVELOPMENT PROJECT

	2025	2024
	RMB'000	RMB'000
Property development project in the PRC, at cost	185,797	185,797
Less: Impairment loss recognised	(145,897)	(142,297)
	<u>39,900</u>	<u>43,500</u>

The cost of the property development project represents the Group's payments to a third party, Chengdu Yiming Investment Management Company Limited ("Chengdu Yiming"), amounted to approximately RMB185,797,000 for the property development project of a logistic centre in the PRC. The land use rights of the land of the property development project are currently registered in the name of a subsidiary of the Company and Chengdu Yiming. During the year ended 31 December 2019, the negotiation with the local government of the PRC regarding the land premium and other terms for the change of land usage of the land for the property development project had been finalised. The licence for the construction was obtained and the construction commenced afterwards. Pursuant to the development agreement, the development costs of the property development project, including any land premium of the land for the project arising from change of land usage, were financed as to 30% and 70% by the Group and Chengdu Yiming, respectively, and the subsidiary of the Company and Chengdu Yiming were entitled to share 30% and 70%, respectively, of the ownership of the land used for the property development project and the properties after the completion of development.

The management of the Group conducted impairment assessment of the property development project using the residual method by reference to its estimated market value (based on the development potential of the properties as if they were completed in accordance with the existing development proposal) at 31 December 2025 and 2024 as valued by an independent professional valuer, Vincorn Consulting and Appraisal Limited (2024: *Vincorn Consulting and Appraisal Limited*). The estimated market value at 31 December 2025 and 2024 was estimated by reference to relevant property sale transactions occurred during the respective years, the development costs and allowance of profit required for the developer as well as time factor. The fair value measurement is categorised as a Level 3 fair value based on the inputs used. With reference to the results of valuation, the recoverable amount, representing the estimated market value less cost of disposal, was approximately RMB39,900,000 (2024: *approximately RMB43,500,000*) at 31 December 2025. A further impairment loss on the property development project amounted to approximately RMB3,600,000 (2024: *approximately RMB4,500,000*) was recognised in profit or loss for the year ended 31 December 2025.

Key assumptions used in the valuation and its sensitivity are as follows:

Significant unobservable input	Change	Increase in impairment loss
Estimated market price per square meter at approximately RMB8,800/sq.m. (2024: <i>approximately RMB8,900/sq.m.</i>)	Decrease 1% (2024: 1%)	Approximately RMB2,100,000 (2024: <i>approximately RMB1,800,000</i>)
Allowance of profit required for the developer at 20% (2024: 20%)	Increase 1% (2024: 1%)	Approximately RMB1,800,000 (2024: <i>approximately RMB1,500,000</i>)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVENTORIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Raw materials	3,593	2,182
Finished goods	16,022	35,603
Consumables	36	49
	<u>19,651</u>	<u>37,834</u>

During the year ended 31 December 2025, a reversal of write-down amounting to approximately RMB392,000 (2024: approximately RMB1,891,000) was recognised in profit or loss due to the sale of slow-moving inventories.

17. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables from third parties		298,846	284,313
Less: Loss allowance for ECL		<u>(246,617)</u>	<u>(258,177)</u>
	(a)	52,229	26,136
Bank bills receivables	(b)	<u>2,378</u>	<u>1,633</u>
Trade and bill receivables, net		54,607	27,769
Other receivables	(c)	<u>3,972</u>	<u>1,860</u>
		<u>58,579</u>	<u>29,629</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Trade receivables

The Group normally grants credit terms of 30 to 180 days *(2024: 30 to 180 days)* to its customers, but a longer period can be granted on a discretionary basis. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management of the Group. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

At the end of the reporting period, the ageing analysis of the trade receivables presented based on dates of goods delivery and net of loss allowance for ECL is as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	2,563	9,460
1 to 3 months	16,352	9,222
4 to 6 months	5,340	7,454
Over 6 months	27,974	-
	52,229	26,136
	52,229	26,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) Trade receivables (Continued)

At the end of the reporting period, the ageing analysis of the trade receivables presented by due date and net of loss allowance for ECL is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Not yet due	<u>41,687</u>	<u>19,783</u>
Past due:		
Within 1 month	2,148	4,168
1 to 3 months	<u>8,394</u>	<u>2,185</u>
	<u>10,542</u>	<u>6,353</u>
	<u><u>52,229</u></u>	<u><u>26,136</u></u>

Movements on the Group's loss allowance for ECL on trade receivables are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At the beginning of the reporting period	258,177	261,982
Provision for loss allowance for ECL	5,577	3,118
Reversal of loss allowance for ECL	(5,181)	(6,222)
Offset by trade payables and contract liabilities	<u>(11,956)</u>	<u>(701)</u>
At the end of the reporting period	<u><u>246,617</u></u>	<u><u>258,177</u></u>

(b) Bank bills receivables

The bank bills receivables are due within 180 days (2024: 180 days) from the date of billing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(c) Other receivables

	2025	2024
	RMB'000	RMB'000
Other receivables	61,038	57,511
Less: Loss allowance for ECL	<u>(57,066)</u>	<u>(55,651)</u>
	<u>3,972</u>	<u>1,860</u>

An analysis of the other receivables net of loss allowance for ECL is as follows:

	2025	2024
	RMB'000	RMB'000
Other taxes recoverable	2,103	30
Other receivables	<u>1,869</u>	<u>1,830</u>
	<u>3,972</u>	<u>1,860</u>

Movements on the Group's loss allowance for ECL on other receivables are as follows:

	2025	2024
	RMB'000	RMB'000
At the beginning of the reporting period	55,651	52,777
Provision for loss allowance for ECL, net	1,415	4,999
Amounts written off as uncollectible	<u>-</u>	<u>(2,125)</u>
At the end of the reporting period <i>(Note)</i>	<u>57,066</u>	<u>55,651</u>

Note: Included in other receivables are receivables from certain third parties totalled approximately RMB57,066,000 (2024: approximately RMB55,651,000) which remained outstanding for a considerably long period of time. Having considered the ongoing monitoring results of the related debtors, the management of the Group is in the view that the recoverability of these other receivables cannot be assured beyond reasonable doubt. Accordingly, the management of the Group considers it is appropriate to recognise the provision of loss allowance in full for these receivables of approximately RMB57,066,000 (2024: approximately RMB55,651,000) as at 31 December 2025, in which loss allowance of approximately RMB1,415,000 (2024: approximately RMB4,999,000) was charged to profit or loss for the year ended 31 December 2025.

Information about the Group's exposure to credit risk and loss allowance for trade and other receivables is included in Note 31 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. PREPAYMENTS AND DEPOSITS PAID

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Gross prepayments and deposits paid	82,956	86,277
Less: Impairment losses recognised	<u>(66,234)</u>	<u>(64,889)</u>
	<u>16,722</u>	<u>21,388</u>

An analysis of the prepayments and deposits paid net of impairment losses is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Advance payments to suppliers (<i>Note i</i>)	11,385	13,279
Other deposits and prepayments	250	562
Committed deposit of the Scheme of Arrangement (<i>Note 23</i>)	<u>5,087</u>	<u>7,547</u>
	<u>16,722</u>	<u>21,388</u>

Movements in impairment losses recognised for prepayments and deposits paid are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At the beginning of the reporting period	64,889	56,726
Provision for impairment loss	3,886	9,047
Reversal of impairment loss	<u>(2,541)</u>	<u>(884)</u>
At the end of the reporting period	<u>66,234</u>	<u>64,889</u>

Note:

- (i) The amount represents deposits paid to suppliers for purchases of goods in relation to the business undertaken by the Group.

The management of the Group makes periodic individual assessment on the recoverability of prepayment and deposit paid by considering historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. At 31 December 2025, the management of the Group are in view of the recoverability of the advance payments made to certain suppliers cannot be assured beyond reasonable doubt, provision of impairment loss of approximately RMB66,234,000 (2024: approximately RMB64,889,000) was recognised, while an impairment loss of approximately RMB3,886,000 (2024: approximately RMB9,047,000) was recognised in profit or loss during the year ended 31 December 2025. In addition, a reversal of impairment loss amounted to approximately RMB2,541,000 (2024: approximately RMB884,000) had been made and credited to profit or loss resulted from the utilisation of advance payments to suppliers impaired in previous periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. CASH AND CASH EQUIVALENTS

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents in the consolidated statement of financial position		
– Cash at banks and on hand	5,524	15,972

Notes:

- (a) Cash at bank earned interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair values.
- (b) Cash and cash equivalents placed with banks in the PRC totaling approximately RMB5,509,000 (2024: *approximately RMB15,929,000*) are denominated in RMB. Remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

20. TRADE AND OTHER PAYABLES

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables (<i>Note (i)</i>)	28,320	31,633
Contract liabilities (<i>Note (ii)</i>)	13,221	14,522
Accrued interest for other borrowings	6,316	3,455
Accrued professional fees	3,637	3,414
Payables for staff related costs	9,893	9,827
Payable to Scheme Administrator (<i>Note 23</i>)	4,487	-
Other payables	21,629	20,189
	87,503	83,040
Analysed as:		
Non-current liabilities	5,846	3,296
Current liabilities	81,657	79,744
	87,503	83,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) At the end of the reporting period, the ageing analysis of trade and bills payables, based on dates of goods delivery / bills issue date is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 month	2,209	3,373
1 to 3 months	4,427	1,853
Over 3 months	21,684	26,407
	<u>28,320</u>	<u>31,633</u>

An average credit period of 30 to 180 days (2024: 30 to 180 days) is granted by the suppliers to the Group. The bank bills payables are due within 180 days (2024: 180 days) from the date of billing.

- (ii) The Group received deposits from customers for the sales of pharmaceutical products as provided in contracts which are regarded as contract liabilities.

The movement (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts within HKFRS 15 during the years ended 31 December 2025 and 2024 are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At the beginning of the reporting period	14,522	12,842
Receipt in advances	339	2,381
Recognised as revenue	(616)	-
Set off the trade receivables	(1,024)	(701)
	<u>13,221</u>	<u>14,522</u>

The Group applies the practical expedient and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Fixed-rate borrowings:		
- Secured and repayable within one year	18,984	11,380

The bank borrowings are repayable within one year (2024: *one year*) since its inception. The bank borrowings carried interest at fixed interest rate ranging from approximately 3.0% - 6.0% per annum (2024: *approximately 3.8% - 4.3% per annum*).

At 31 December 2025, the bank borrowings are secured by:

- (i) personal guarantees provided by the directors of the subsidiaries (2024: *personal guarantees provided by the directors of the subsidiaries*); and
- (ii) charges over the Group's leasehold land and buildings with aggregate net carrying amount of approximately RMB24,048,000 (2024: *approximately RMB26,495,000*).

22. OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
Unsecured borrowings from third parties:		
Within one year	6,700	3,700
More than one year, but not exceeding two years	19,776	26,500
More than two years, but not exceeding third years	-	2,447
	26,476	32,647
Analysed as:		
Non-current liabilities	19,776	28,947
Current liabilities	6,700	3,700
	26,476	32,647

The other borrowings from third parties are unsecured, interest bearing at 1% per month and 4% to 15% per annum (2024: *1% per month and 6% to 8% per annum*), respectively, and repayable including interest payable ranging from 2 to 3 years (2024: *2 to 3 years*) since its inception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. REPAYMENT OBLIGATIONS UNDER THE SCHEME OF ARRANGEMENT

	2025 RMB'000	2024 RMB'000
Non-current liabilities	151,477	156,805
Current liabilities	<u>8,767</u>	<u>6,894</u>
	<u>160,244</u>	<u>163,699</u>
Within one year	8,767	6,894
After one year but within two years	8,169	8,790
After two years but within five years	<u>143,308</u>	<u>148,015</u>
	<u>160,244</u>	<u>163,699</u>

The Group initiated a restructuring of its overall indebtedness position in order to address the liquidity issue faced by the Group during the year ended 31 December 2023. All necessary statutory, regulatory, and creditors' approvals of the Scheme of Arrangement have been obtained during the year ended 31 December 2023. All admitted claims owned by the Group to those creditors would be discharged and released in full as against the Company on the effective date of the Scheme of Arrangement.

The details of the Scheme of Arrangement as set out below:

On 12 March 2024, the Scheme of Arrangement became effective for the restructuring of its overall indebtedness position, under which:

- (i) All unsecured and non-preferential claims (the "Scheme Claims") shall be discharged and released in full as against the Company on the date on which the Scheme of Arrangement becomes unconditional and comes into effect;
- (ii) The creditors with the Scheme Claims (the "Scheme Creditors"), which have been admitted by the administrators of the Scheme of Arrangement or the adjudicator (the "Admitted Claims"), will be entitled to the following in proportion to their admitted claims on a pari passu basis:
 - an initial cash payment representing 1% of the Admitted Claims (the "Initial Cash Payment"); and
 - annual cash payments from years 2024 to 2028 (the "Yearly Payments").
- (iii) The Scheme Claims carries zero-coupon interest rate.

The Yearly Payments comprise a cash amount which shall be the higher of (i) HK\$5 million for the year 2024 and HK\$10 million annually for the years 2025 to 2028; and (ii) a cash amount representing the relevant proportion of the audited consolidated net profits of the Company for the relevant financial year. The Yearly Payments shall be payable on yearly distribution date, which shall be no later than 30 business days upon the release of the relevant annual audited reports and in any event no later than 30 June following the end of the relevant financial year of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. REPAYMENT OBLIGATIONS UNDER THE SCHEME OF ARRANGEMENT (Continued)

If the aggregate of the Initial Cash Payment and all the Yearly Payments are insufficient to settle all the Admitted Claims, the Company shall allot and issue new shares (the “Scheme Shares”) to the Scheme Creditors through the special purpose company controlled by the administrators of the Scheme of Arrangement (the “Scheme Administrators”), subject to the approval of the shareholders of the Company (if applicable), the Stock Exchange, the requirements of the Listing Rules and the determination of the Scheme Administrators. The exact number of the Scheme Shares to be issued and the issue price per share are to be determined following of the settlement of the Initial Cash Payment and the Yearly Payments.

During the year ended 31 December 2024, upon the effect of the Scheme of Arrangement, an aggregate balance of approximately HK\$230,810,000 (equivalent to approximately RMB217,725,000) payable to creditors has been discharged and released in full. Upon the effect of the Scheme of Arrangement, the relevant Admitted Claims amounted to approximately HK\$163,938,000 (equivalent to approximately RMB154,658,000) have been recognised as repayment obligations under the Scheme of Arrangement. As a result, gain on restructuring of the financial liabilities of approximately RMB17,571,000 was recognised in the profit and loss for the year ended 31 December 2024.

The Initial Cash Payment and related scheme cost to be financed by an initial committed deposit of HK\$8,000,000 seized by the Scheme Administrators since year 2023. During the year ended 31 December 2025, the Initial Cash Payment of approximately HK\$2,308,000 (equivalent to approximately RMB2,129,000) was fully settled through an offset against the committed deposit under the Scheme of Arrangement. At 31 December 2025, the remaining committed deposit of approximately HK\$5,668,000 (equivalent to approximately RMB5,087,000) (2024: HK\$8,000,000 (equivalent to approximately RMB7,547,000)) (Note 18). The committed deposit continues to be held by the Scheme Administrators and is included in “Prepayments and deposits paid” in the consolidated financial statements.

In respect of the annual cash payments for year 2024 payment amounting to HK\$5,000,000 (equivalent to approximately RMB4,612,000) (the “2024 Yearly Payments”), the Company communicated with the Scheme Administrator that the 2024 Yearly Payments would be further financed by the initial deposit. Up to the date of approval of the consolidated financial statements, the Company is still negotiating with the Scheme Administrator regarding the repayment schedule of the 2024 Yearly Payments to the Scheme Administrator which is included in “Trade and other payables”.

The repayment obligation under the Scheme of Arrangement was determined based on the present value of the future cash flows stated in Scheme of Arrangement discounted using the effective interest rate of 7.32% per annum on 12 March 2024. The imputed interest arising from the repayment obligation under the Scheme of Arrangement of approximately RMB11,390,000 (2024: approximately RMB8,865,000) was recognised in profit or loss during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. DEFERRED TAXATION

The components of deferred tax liabilities represent the temporary differences on income and expenses, including depreciation / amortisation, certain provision for impairment and provision for accrued expenses in the consolidated statement of financial position and the movements of the deferred tax liabilities during the years ended 31 December 2025 and 2024 are as follows:

	RMB'000
At 1 January 2024	1,997
Charged to profit or loss	<u>128</u>
At 31 December 2024 and 1 January 2025	2,125
Charged to profit or loss	<u>128</u>
At 31 December 2025	<u><u>2,253</u></u>

At 31 December 2025, the estimated withholding tax effects on the distribution of PRC subsidiaries' accumulated profits were approximately RMB12,774,000 (2024: approximately RMB13,378,000) which would become payable when they are distributed. The management of the Group confirmed that profits generated by the relevant PRC subsidiaries from 1 January 2008 onward will not be distributed to its direct holding company outside the PRC in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses in total approximately RMB11,370,000 (2024: approximately RMB12,290,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams. The tax losses will expire in one to five years after the end of the reporting period as follow:

	2025	2024
	RMB'000	RMB'000
Year of expiry		
2030	3,601	-
2029	1,847	1,847
2026	5,922	5,922
2025	<u>-</u>	<u>4,521</u>
	<u><u>11,370</u></u>	<u><u>12,290</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. DEFERRED INCOME – GOVERNMENT GRANT

	2025 RMB'000	2024 RMB'000
At 1 January	21,493	22,005
Credited to profit to loss	<u>(512)</u>	<u>(512)</u>
At 31 December	<u>20,981</u>	<u>21,493</u>
Analysed as:		
Non-current liabilities	20,469	20,981
Current liabilities	<u>512</u>	<u>512</u>
	<u>20,981</u>	<u>21,493</u>

The deferred income of the Group mainly represents government compensation in respect of the exchange of land use rights with local government.

Such deferred income will be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

Included in the deferred income on government grant, approximately RMB20,469,000 (2024: approximately RMB20,981,000) represented the income that is not expected to be realised to profit or loss within 12 months subsequent to 31 December 2025 and therefore is presented under non-current liabilities.

26. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000	
Authorised:			
Ordinary shares of HK\$0.001 each			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>5,000,000</u>	<u>5,000</u>	
	Number of shares '000	Nominal value HK\$'000	Nominal value RMB'000
Issued and fully paid:			
Ordinary shares of HK\$0.001 each			
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>1,474,993</u>	<u>1,475</u>	<u>1,216</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted the share option scheme (the “Share Option Scheme”) on 26 May 2015 for the purpose of rewarding certain eligible participants for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to early termination of the Share Option Scheme in accordance with the rules thereof, the Scheme shall remain in force for a period of ten years commencing from 26 May 2015. At 31 December 2025, the Share Option Scheme had expired.

Eligible participants of the Share Option Scheme include (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to the Company or any of its subsidiaries; and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue.

Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant within 28 days after the offer date. The exercise price of the share options is determinable by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share. The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

Shares are issued and allotted upon the exercise of options. The Company has no legal or constructive obligations to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

No share options were granted and exercised under the Share Option Scheme during the years ended 31 December 2025 and 2024.

	2025					2024				
	Weighted average exercise price <i>HK\$</i>	Number of share options				Weighted average exercise price <i>HK\$</i>	Number of share options			
		Directors <i>'000</i>	Employees <i>'000</i>	Others <i>'000</i>	Total <i>'000</i>		Directors <i>'000</i>	Employees <i>'000</i>	Others <i>'000</i>	Total <i>'000</i>
At 1 January and 31 December	0.67	20,000	10,000	70,000	100,000	0.67	20,000	10,000	70,000	100,000
Lapsed during the year	0.67	(20,000)	(10,000)	(70,000)	(100,000)	-	-	-	-	-
At 31 December	-	-	-	-	-	0.67	20,000	10,000	70,000	100,000

The exercise prices and exercise periods of the share options outstanding at the end of the reporting period are as follows:

2024	Number of options <i>'000</i>	Exercise price per share <i>HK\$</i>	Exercise period
	100,000	<u>0.67</u>	7 September 2018 to 25 May 2025

The weighted average exercise price of the share options granted and outstanding at 31 December 2024 was HK\$0.67 per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period was 0.4 years. During the year ended 31 December 2025, there was no exercise of share options and all share options were expired on 25 May 2025. The accumulated share option reserve of approximately RMB11,456,000 was transferred to retained earnings upon the expiration of the share option.

There were no outstanding share options at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. RESERVES

- (a) Share premium
The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) Statutory reserve
Pursuant to the articles of association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at a 10% of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. When the balance of statutory reserve fund reaches 50% of registered capital of each relevant PRC subsidiary, any further appropriation is at the discretion of the shareholders of this subsidiary. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.
- (c) Share option reserve
Share option reserve represents the fair value of share options granted to employees and non-employees and is dealt with the accounting policy as set out in Note 2 to the consolidated financial statements.
- (d) Exchange reserve
Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC and the translation of the Company's financial statements into presentation currency.
- (e) Other reserve
Other reserve comprises the following: (i) the difference between the Company's cost of acquisition of subsidiaries and the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired under common control; (ii) the amount arising from transactions with owners in their capacity as equity owners; and (iii) the gain on disposal of a partial interest in a subsidiary in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. 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.

	Finance costs payables (included in other payables and accrued expenses) RMB'000	Corporate bonds payable RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Amount due to related parties RMB'000	Total RMB'000
At 1 January 2024	37,047	83,473	7,160	75,337	1,132	204,149
Financing cash inflows	-	-	11,380	6,619	-	17,999
Financing cash outflows	(377)	-	(7,160)	(8,500)	(736)	(16,773)
Finance costs for the year	5,935	-	-	-	-	5,935
Other non-cash movements	(40,147)	(86,339)	-	(42,177)	-	(168,663)
Exchange realignment	997	2,866	-	1,368	-	5,231
At 31 December 2024 and 1 January 2025	3,455	-	11,380	32,647	396	47,878
Financing cash inflows	-	-	18,984	3,449	23	22,456
Financing cash outflows	(759)	-	(11,380)	(9,500)	-	(21,639)
Finance costs for the year	3,644	-	-	-	-	3,644
Exchange realignment	(24)	-	-	(120)	-	(144)
At 31 December 2025	<u>6,316</u>	<u>-</u>	<u>18,984</u>	<u>26,476</u>	<u>419</u>	<u>52,195</u>

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debts and equity balance. In order to maintain or adjust the capital structure, the appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including the outcomes of the Group's plans and measures (including any liabilities restructuring plan).

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and/or bank and other borrowings.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital and takes appropriate actions through raising debts to adjust the Group's capital structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets and financial liabilities of the Group are as follows:

	2025 RMB'000	2024 RMB'000
Financial assets at amortised cost		
Trade and other receivables	56,476	29,599
Amount due from a related party	36	36
Cash and cash equivalents	5,524	15,972
	62,036	45,607

	2025 RMB'000	2024 RMB'000
Financial liabilities at amortised cost		
Trade and other payables	74,282	68,518
Bank borrowings	18,984	11,380
Amount due to a shareholder	802	804
Amounts due to related parties	419	396
Repayment obligations under the Scheme of Arrangement	166,802	163,699
Other borrowings	26,476	32,647
	287,765	277,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The credit risk of the Group mainly arises from trade and other receivables, amount due from a related party and cash at bank and on hand. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

At the end of the reporting period, the Group had a concentration of credit risk as approximately 26.2% (2024: approximately 31.4%) and approximately 55.0% (2024: approximately 62.4%) of the trade receivables was due from the Group's largest trade debtor and the five largest trade debtors, respectively.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

(i) Trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired trade debtors and trade debtors with significant balances are assessed for ECL individually, the Group assesses the loss allowance on the remaining debtors based on ECL provision matrix. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

At 31 December 2025, the management of the Group assessed that loss allowances for ECL on credit-impaired trade receivables amounted to approximately RMB246,617,000 (2024: approximately RMB258,177,000) were recognised in the consolidated financial statements for certain debtors that are in financial difficulties and the recoverability of such receivables cannot be assured beyond reasonable doubt. In addition, trade receivables with significant balances with gross carrying amounts of approximately RMB22,774,000 (2024: nil) at 31 December 2025 are not yet past due and no forward-looking factors indicate a significant increase in credit risk, the management of the Group estimates that the ECL for these balances is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

In the view of the management of the Group, the loss allowances, based on ECL provision matrix approach, for the remaining trade receivables amounted to approximately RMB243,000 (2024: approximately RMB34,000) is considered immaterial and therefore, no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

The loss allowance for trade receivables based on ECL provision matrix was determined as follows:

	Receivables aged		Total
	0-3 months	Over 3 months	
31 December 2025			
Expected loss rate	0.45%	1.49%	
Gross carrying amount of (RMB'000)	18,915	10,541	29,456
Expected loss allowance (RMB'000)	86	157	243
31 December 2024			
Expected loss rate	0.10%	0.20%	
Gross carrying amount of (RMB'000)	18,682	7,454	26,136
Expected loss allowance (RMB'000)	19	15	34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk (Continued)

(ii) Other receivables and amount due from a related party

The Group uses four categories for these receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's ECL model is as follows:

<u>Category</u>	<u>Group's definition of categories</u>	<u>Basis for recognition of ECL</u>
Performing	Debtors have a low risk of default	12 months ECL. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime ECL
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The management of the Group is ongoing monitoring results of the related debtors, the management of the Group is of the view that the loss allowance for ECL on other receivables by considering the settlement records, historical loss rates and available forward-looking information.

The management of the Group assessed that certain other receivables at 31 December 2025 are regarded non-performing for the year amounted to approximately RMB57,066,000 (2024: approximately RMB55,651,000) have been made for those other receivables. At 31 December 2025, no non-performing other receivables were written off for the year (2024: approximately RMB2,125,000) due to uncollectible. Save as aforementioned, the Group's internal credit rating of other receivables and amount due from a related party was performing. The Group has assessed that the ECL for the remaining other receivables is immaterial under 12-months ECL. Thus, no loss allowance for these receivables was recognised for the years ended 31 December 2025 and 2024.

(iii) Cash at bank

The management of the Group considers the credit risk in respect of cash and cash equivalents is minimal because the counter parties are authorised financial institutions with high credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The undiscounted contractual maturity liabilities profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments, is categorised below:

At 31 December 2025

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	68,436	5,846	-	74,282	74,282
Bank borrowings	19,269	-	-	19,269	18,984
Amounts due to shareholders	802	-	-	802	802
Amounts due to related parties	419	-	-	419	419
Repayment obligations under the Scheme of Arrangement	8,767	8,169	183,622	200,558	160,244
Other borrowings	7,697	31,214	-	38,911	26,476
	105,390	45,229	183,622	334,241	281,207

At 31 December 2024

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	65,222	3,144	152	68,518	68,518
Bank borrowings	11,618	-	-	11,618	11,380
Amounts due to shareholders	804	-	-	804	804
Amounts due to related parties	396	-	-	396	396
Repayment obligations under the Scheme of Arrangement	6,894	9,433	201,398	217,725	163,699
Other borrowings	3,969	30,362	3,178	37,509	32,647
	88,903	42,939	204,728	336,570	277,444

(c) Fair value measurement

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the Group had the following transactions and balances with the related parties:

(a) Key management personnel remuneration

Remuneration of key management personnel of the Group is as follows:

	2025	2024
	RMB'000	RMB'000
Salaries, allowance, discretionary bonus and other benefits in kinds	715	522
Retirement benefits scheme contributions	55	116
	770	638
	770	638

The above remuneration is included in staff costs (*Note 7*).

(b) Balances with related parties

	<i>Notes</i>	2025	2024
		RMB'000	RMB'000
Balances with related parties			
Amount due from a related party, controlled by the controlling shareholder	<i>(i), (ii)</i>	36	36
Amounts due to the directors of the subsidiaries	<i>(i)</i>	(419)	(396)
Amount due to the controlling shareholder	<i>(i)</i>	(802)	(804)
		(385)	(964)
		(385)	(964)

Notes:

- (i) The balances with these related parties are unsecured, interest free and repayable on demand.
- (ii) The maximum balances due from a related party during the years ended 31 December 2025 and 2024 are as follows:

	Maximum balance outstanding during the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Amount due from a related party	36	36
	36	36
	36	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Investments in subsidiaries	34	333	1,016
Current assets			
Amounts due from subsidiaries	33(b)	40,576	95,858
Amounts due from a related party	32(b)	36	36
Other receivables		-	42
Prepayments and other deposits paid	23	5,087	7,547
		45,699	103,483
Current liabilities			
Other payables and accruals		10,167	6,369
Amount due to a shareholder		130	137
Amount due to a related party	32(b)	9	-
Amount due to subsidiaries	33(b)	15,037	14,120
Repayment obligations under the Scheme of Arrangement	23	8,767	6,894
		34,110	27,520
Net current assets		11,589	75,963
Total assets less current liabilities		11,922	76,979
Non-current liabilities			
Repayment obligations under the Scheme of Arrangement	23	151,477	156,805
Other payables		470	-
Other borrowings		2,777	2,447
		154,724	159,252
NET LIABILITIES		(142,802)	(82,273)
Capital and reserves			
Share capital	26	1,216	1,216
Reserves	33(a)	(144,018)	(83,489)
NET DEFICIT		(142,802)	(82,273)

The statement of financial position was approved and authorised for issue by the board of directors on 2 April 2026 and is signed on its behalf by:

Yuan Hongbing
Director

Li Yan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movements in the reserves of the Company are as follows:

	Share premium RMB'000 <i>(Note 28(a))</i>	Share option reserve RMB'000 <i>(Note 28(c))</i>	Exchange reserve RMB'000 <i>(Note 28(d))</i>	Other reserve RMB'000 <i>(Note 28(e))</i>	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	691,882	11,456	36,389	(74,753)	(748,557)	(83,583)
Profit for the year	-	-	-	-	2,873	2,873
Other comprehensive loss						
<i>Item that will not be reclassified to profit or loss:</i>						
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	(2,779)	-	-	(2,779)
Total comprehensive income for the year	-	-	(2,779)	-	2,873	94
At 31 December 2024	<u>691,882</u>	<u>11,456</u>	<u>33,610</u>	<u>(74,753)</u>	<u>(745,684)</u>	<u>(83,489)</u>
At 1 January 2025	691,882	11,456	33,610	(74,753)	(745,684)	(83,489)
Loss for the year	-	-	-	-	(69,067)	(69,067)
Other comprehensive income						
<i>Item that will not be reclassified to profit or loss:</i>						
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	8,538	-	-	8,538
Total comprehensive loss for the year	-	-	8,538	-	(69,067)	(60,529)
Lapse of share option <i>(Note 27)</i>	-	(11,456)	-	-	11,456	-
At 31 December 2025	<u>691,882</u>	<u>-</u>	<u>42,148</u>	<u>(74,753)</u>	<u>(803,295)</u>	<u>(144,018)</u>

(b) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/operation	Issued shares and paid-up capital	Attributable equity interest held by the Company		Principal activities
			2025	2024	
Pa Shun Pharmaceutical Company Limited	The BVI / Hong Kong	US\$50,000	100%	100%	Investment holding
Toyot Pa Shun Medicine Factory Company Limited 東洋百信製藥廠有限公司	Hong Kong / Hong Kong	HK\$10,000,000	100%	100%	Investment holding
Chengdu Toyot Pa Shun Pharmacy Co., Ltd. 成都東洋百信製藥廠有限公司 (Note (a) and (b))	The PRC / The PRC	RMB164,570,000	100%	100%	Manufacturing and sale of pharmaceutical products in the PRC
Chengdu Kexun Pharmaceutical Co., Ltd. 成都科訊製藥廠有限公司 (Note (a) and (c))	The PRC / The PRC	RMB170,000,000	100%	100%	Distribution of pharmaceutical products in the PRC
Chengdu Keyi Biotechnology Co., Ltd. 成都科一生物科技有限公司 (Note (a) and (c))	The PRC / The PRC	RMB2,000,000	100%	100%	Not yet commenced business
Ready Gain Limited 宏願環球有限公司	The BVI	US\$50,000	- (Note (e))	100%	Investment holding
Big Wish Global Limited 盈達有限公司	The BVI	US\$50,000	- (Note (e))	100%	Investment holding
Bisan Parkwell Consultants Limited 百勝百惠顧問有限公司	Hong Kong / Hong Kong	HK\$10,000	- (Note (e))	100%	Investment holding
Parkwell Services Consultants Limited 百惠服務顧問有限公司	Hong Kong / Hong Kong	HK\$10,000	- (Note (e))	100%	Investment holding

Notes:

- (a) The English translations of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of these entities are in Chinese.
- (b) This entity was established in the PRC in the form of wholly-foreign-owned enterprise.
- (c) These entities were established in the PRC as PRC domestic-invested companies.
- (d) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.
- (e) The entities established in the BVI were stuck off, and loss control over the subsidiaries incorporated in Hong Kong, on 1 November 2025, a gain of approximately RMB6,000 (Note 5) was recognised in profit or loss for the year ended 31 December 2025, and approximately RMB5,768,000 of exchange reserve released upon the deregistration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors of the Company, the Company's ultimate and immediate holding company is Praise Treasure Limited which was incorporated in the BVI and the ultimate controlling shareholder is Mr. Chen Yenfei. At the date of approval of the consolidated financial statements, 753,040,000 shares, representing approximately 51.05% of the issued share capital of the Company, were pledged by Praise Treasure Limited in favour of an original chargee whose rights have been assigned to Zhongtai International Asset Management (Singapore) Pte. Limited (for the account and on behalf of Win Win Stable No.3 Fund SP).