

AU STAR
奥星

Austar Lifesciences Limited
奥星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 6118

2025
ANNUAL REPORT

LYOCORE
x**LYOLAB**

vivafill

 **C-True**

PURVITA

BIOSYSTEC

AUSMILL


SCHEDIO AU STAR
士卓奥星


CAPE-Europe

Pharma
LeanDigital

 Pharma
LeanTec

AUSCON

REMOIIS

 奥星瑞服

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CORPORATE INFORMATION

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

6118

EXECUTIVE DIRECTORS

Mr. Ho Kwok Keung, Mars

(Chairman & Chief Executive Officer)

Mr. Ho Kin Hung

Mr. Chen Yuewu *(Resigned on 26 August 2025)*

Madam Zhou Ning

Mr. Bian Ce *(Appointed on 26 August 2025)*

NON-EXECUTIVE DIRECTOR

Madam Ji Lingling

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Lap Kei

Madam Chiu Hoi Shan

Mr. Leung Oi Kin

AUDIT COMMITTEE

Mr. Cheung Lap Kei *(Chairman)*

Madam Chiu Hoi Shan

Madam Ji Lingling

REMUNERATION COMMITTEE

Madam Chiu Hoi Shan *(Chairlady)*

Mr. Cheung Lap Kei

Madam Zhou Ning

NOMINATION COMMITTEE

Mr. Ho Kwok Keung, Mars *(Chairman)*

Mr. Cheung Lap Kei

Madam Chiu Hoi Shan

CORPORATE GOVERNANCE COMMITTEE

Madam Zhou Ning *(Chairlady)*

Mr. Ho Kwok Keung, Mars

Madam Chiu Hoi Shan

RISK MANAGEMENT COMMITTEE

Madam Zhou Ning *(Chairlady)*

Mr. Chen Yuewu *(Resigned on 26 August 2025)*

Madam Ji Lingling

Mr. Bian Ce *(Appointed on 26 August 2025)*

COMPANY SECRETARY

Madam Mak Yuk Kiu

AUTHORISED REPRESENTATIVES

(For the purpose of the Listing Rules)

Madam Zhou Ning

Madam Mak Yuk Kiu

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Deutsche Bank AG

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Rooms 2010–2013, 20th Floor

No.1018 Changning Road

Changning District

Shanghai

the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop 6 on 1/F
New Trade Plaza
No. 6 On Ping Street
Shatin, New Territories
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

LCH Lawyers LLP
Room 2402, 24/F.
Admiralty Centre Tower Two
18 Harcourt Road, Admiralty
Hong Kong

AUDITOR

Moore CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
1001–1010, North Tower, World Finance Centre
Harbour City, 19 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG COMPANY WEBSITE

www.austar.com.hk

FINANCIAL HIGHLIGHTS

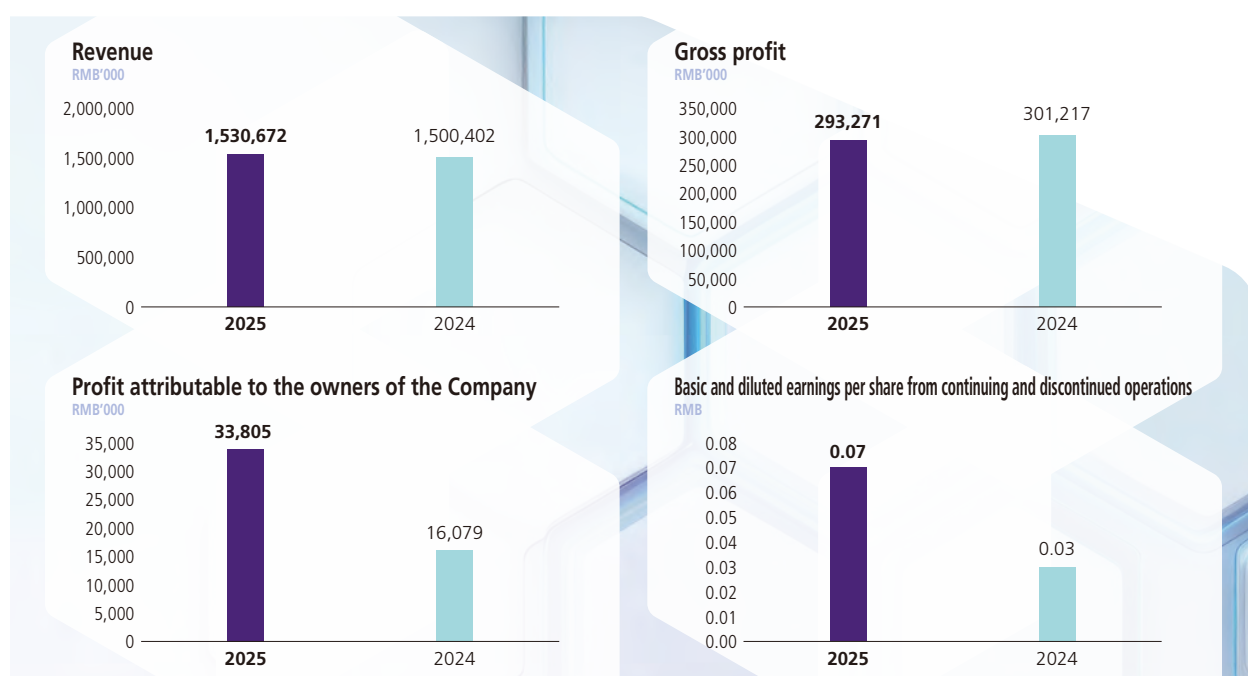
	For the year ended 31 December		Change %
	2025 RMB'000	2024 RMB'000	
Revenue	1,530,672	1,500,402	2.0%
Gross profit	293,271	301,217	-2.6%
Gross profit margin	19.2%	20.1%	
Profit attributable to the owners of the Company from continuing and discontinued operations	33,805	16,079	
Basic and diluted earnings per share from continuing and discontinued operations (RMB)(Note)	0.07	0.03	
Basic and diluted earnings per share from continuing operations (RMB) (Note)	0.07	0.03	

	As at 31 December		Change %
	2025 RMB'000	2024 RMB'000	

Key financials on Consolidated Statement of Financial Position

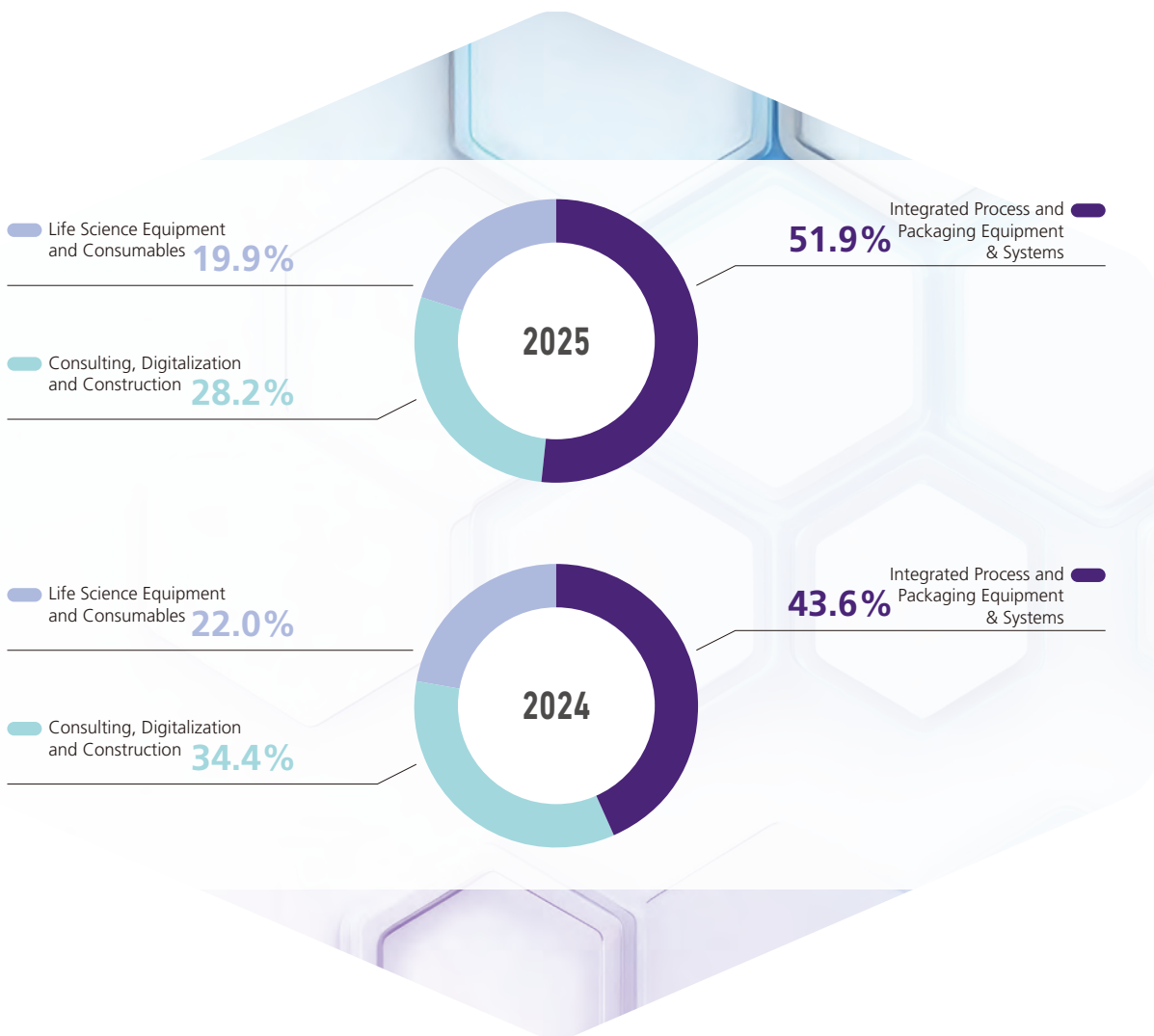
Total assets	2,128,003	2,083,635	2.1%
Net assets	824,085	793,468	3.9%
Gearing ratio	29.4%	33.9%	

Note: The calculation of earnings per share is based on the profit attributable to owners of the Company for each of the years ended 31 December 2025 and 2024 and the weighted average number of shares during that year. The Company had no dilutive ordinary shares for each of the years ended 31 December 2025 and 2024.



REVENUE CONTRIBUTION BY BUSINESS SEGMENT

Revenue by business segment	2025		2024	
	RMB'000	%	RMB'000	%
Integrated Process and Packaging Equipment & Systems	794,199	51.9%	655,205	43.6%
Consulting, Digitalization and Construction	432,470	28.2%	515,814	34.4%
Life Science Equipment and Consumables	304,003	19.9%	329,383	22.0%
Total	1,530,672	100.0%	1,500,402	100.0%



OUR PATH OF GROWTH

2003

Shanghai Astar Pharmaceutical Technology Equipment Co., Ltd was established and commenced the manufacturing of purified water generators, the foundation of AUSTAR's Liquid and Bioprocess System business

2004

Astar Shijiazhuang Technology Centre was established and commenced AUSTAR's Clean Room and Automation Control and Monitoring System business

2006

AUSTAR formed a joint venture with STERIS Corporation

2007

AUSTAR formed a joint venture with ATMI Packaging N.V. (now known as PALL Life Sciences Belgium BV)

2008

AUSTAR commenced its Liquid and Bioprocess System business

2011

AUSTAR was certified as Siemens AG Solution Partner

2012

AUSTAR was certified as Rockwell Automation, Inc. Recognized System Integrator

2013

AUSTAR was certified as Siemens Gold Solution Partner

AUSTAR assisted Chengdu Institute of Biological Products Co. Ltd to pass WHO pre-qualification of Japanese encephalitis vaccine

2014

AUSTAR was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited

2015

AUSTAR signed first contract of bioprocess configuration system for human vaccine in the People's Republic of China ("PRC")

AUSTAR's self-developed and produced oral solid dosage granulation system and freeze-drying system including isolator, vial loading and unloading system and freeze-dryer have been launched and displayed at 2015 Autumn CIPM

2016

AUSTAR acquired one-third shares of ROTA Verpackungstechnik GmbH & Co. KG and ROTA Verpackungstechnik Verwaltungsgesellschaft mbH (collectively, "ROTA"), a world famous liquid filling line provider

2017

AUSTAR formed its first SMEPAC testing technology R&D laboratory for powder containment facilities in China

AUSTAR signed first contract of laboratory equipment packaged services in Ethiopia

AUSTAR signed first contract of VHP space sterilization service contract in food and beverage industries

2018

The first ROTA filling machine and AUSTAR's freeze-drying machine integrated production line was exhibited at theACHEMA exhibition in Germany

AUSTAR signed the first turnkey project with a pharmaceutical engineering company in Algeria, Africa

2019

Europe holding company structure with European Team was established in August 2019

A subsidiary in India and two subsidiaries in Malaysia were established in 2019

2020

A subsidiary in the United Kingdom (“UK”) was established in March 2020

New AUSTAR Logo was launched with branding activities in April 2020

Tianjin University established an Industry-University-Research Collaboration Base with AUSTAR

Endress+Hauser signed a strategic partnership agreement with AUSTAR at Shanghai

2021

AUSTAR disposed of 60% interest in PALL-AUSTAR joint venture in March 2021

AUSTAR developed the own-brand BIOSYSTEC bioreactor in July 2021

AUSTAR won The Most Outstanding Partner of SIEMENS in 2021

2022

AUSTAR acquired the technology and ancillary business in sterile liquid and powder filling line to enhance technology in customized sterile filling solutions for liquid and powder in February 2022

AUSTAR acquired 40% shareholding interests in a company specializing in complete superb solutions for the preparation in nanomedicine, inhalation in July 2022

AUSTAR successfully promoted the digital transformation of the production lines of several leading domestic pharmaceutical enterprises of production of 10 billion tablets in 2022

2023

AUSTAR formally commenced operation of its new manufacturing centres in Shanghai and Shijiazhuang in the first half of 2023

AUSTAR successfully delivered OBiO Intelli-M construction project in October 2023

AUSTAR launched a new OSD continuous manufacturing R&D platform in October 2023

AUSTAR launched the REMOIS digital brand in November 2023

2024

The Group consolidated its six business segments into three business segment groups

AUSTAR was awarded the 2024 Siemens Digital Industries China Best Partner Award

AUSTAR successfully completed the project delivery of the synthetic polypeptide production line, which client has completed the trial production, and product quality has fully met the standards

Exported the Fill-Finish Product production line to the United States of America (“US”) (injection production line)

2025

AUSTAR’s positioning was upgraded to “Better Technology Better Life Sciences”

AUSTAR GAOGER Secondary Packaging Co-Brand was established

Robot solutions have been successfully applied in pharmaceutical manufacturing scenarios

AUSTAR obtained technical licensing for dry granulators from POWTEC Maschinen und Engineering GmbH

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the board (“**Board**”) of directors (“**Directors**”) of Astar Lifesciences Limited (“**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (collectively as the “**Group**” or “**AUSTAR**”) for the year ended 31 December 2025 (“**Year**”).

Walking through another challenging year of 2025 has allowed us to realize one fundamental fact that all the previously invested resources and accumulated efforts have been very worthwhile. These have proven to be critical elements in countering the headwinds of the continuing intensely competitive market environment. Our ability to survive with improving net profit and operating cash flow demonstrates our resilience and capability to adapt. Our order-in-take in 2025 showed around an 11% increase compared to that in 2024 despite there was only a slight increase in revenue in 2025.

Optimism comes from various prospects and opportunities encountered in 2025, as the life-sciences sector across different fields is able to create new business development opportunities for industry players like us to explore and pursue, as long as there is eagerness and willingness to learn from a presently unknown future.

Positioning our business in the broader life sciences industry in 2025 instead of relying only on pharmaceutical-related sectors has been a well-considered decision as reflected by the fact that our order-in-take and revenue in 2025 for non-pharma sector business have been growing. Our reputation in the pharmaceutical sector is very solid as AUSTAR has been regarded as a reputable contributor to this industry for years for introducing new innovative technologies to China and emerging countries with quality products and services over the last 30 plus years. We have been leveraging our knowledge developed in the pharma sector to cover other life-sciences sectors, such as medical devices, medical beauty, cosmetics, nutraceuticals and animal health, which have helped supplement and balance the weakening CAPEX investment of the overall pharmaceutical sector in Mainland China and have contributed a portion of our order-in-take in 2025.

There are still huge opportunities in the pharma sector in Mainland China and other top emerging countries like Brazil and Indonesia. The successful site acceptance of our complete pharma sterile primary packaging line in the US in 2025 with an astonishingly short delivery lead time and appreciative client recognition is strengthening our confidence and determination to enter the Europe and US regulated markets.

Hot subsectors like antibody-drug conjugates (ADCs), bispecific monoclonal antibodies (mAbs), polypeptides and oligonucleotides are expected to remain strong in the coming several years, contributing to the sector CAPEX growth. Some underestimated and once-booming biologics sectors like cell & gene therapy are gradually picking up momentum in Mainland China, and scattered voices of investment in new projects are still being heard.



CHAIRMAN'S STATEMENT

Digitalization solutions, especially those with AI technology that are able to help clients improve their operational efficiency such as energy savings and cost effectiveness, are in high demand in the life-sciences industry. These offerings will present a significant portion of our growth in the coming years.

Following the global track of Chinese big pharma investments with licensing-out and joint-venture models in emerging countries, especially those projects with CAPEX requirements and consumable demand, is one of the strategic elements of our Global Expansion Initiative. The trust built between the Group and big pharma clients in Mainland China over the last several decades can help us develop a relationship of trust with their new overseas partners.

Cooperation through partnerships such as joint ventures or sales and technical agreements can help the Group acquire, in a short time, sophisticated technology and access to the markets of hidden champions such as Chinese companies like Noozle and Gaoger, as well as European and US companies like STERIS, Powtec, and Cape-Europe. This business development model will continue, with more partnerships expected to be established in 2026.

I have been leading a group of companies including AUSTAR with a track record of 35 years. Notwithstanding the increasingly uncertain and tough circumstances, I remain full of enthusiasm and curiosity to look for something new and challenging with visions and strategies to achieve another level of success, and more importantly, with undiminished energy. Nourishing new group-level leaders and developing business leadership teams are my main goals in the coming few years. Our determination to be a globally recognized best supplier in the life-science industry remains unchanged.

May I take this moment to express my thanks to our Directors and to our leaders and colleagues at AUSTAR for your contributions to what we accomplished in 2025.

Ho Kwok Keung, Mars

Chairman

26 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS



MARKET REVIEW

The global pharmaceutical industry continued on its growth trajectory in 2025 even amid disruptions caused by economic pressures, trade tensions, regulatory influences and cautious investments. Multiple drivers underpin this growth, including rising demand for medication for aging populations and chronic diseases, continual advancements in medical sciences and biotechnology, the impact of the patent cliff – which, while challenging branded revenues, creates opportunities for generics. Ongoing growth in areas such as personalised medicine and digital transformation further contributes to this momentum. In China, steady growth in the market demand for pharmaceutical equipment and engineering services could be noticed, which is driven by technological innovation, supply chain restructuring, and the accelerated market access of domestic innovative drugs. It is clear that through intelligent manufacturing, industrial transformation and upgrading, as well as more specialised and integrated services, improving production efficiency and reducing operating costs are the main direction for pharmaceutical enterprises.

The Chinese Good Manufacturing Practice (“**GMP**”) Annex Sterile Drug Products (draft for comment) released in 2025 was an important revision that conforms to the Pharmaceutical Inspection Co-operation Scheme (PIC/S) international standards and adapts to industry development. The new regulations will require pharmaceutical enterprises to seek more professional services in terms of Contamination Control Strategy (CCS), pharmaceutical quality system and quality risk management, qualification and validation, cleanrooms, and utilities.

The implementation of “Construction and Acceptance Standards for Cleanrooms in Pharmaceutical Industry Facilities” (GB/T51466-2025) and its supporting standards such as “Test Methods for Suspended Particles in Cleanrooms of Pharmaceutical Industry Facilities” marked a new stage of professionalisation and standardisation. A full-chain compliance system covering design, construction, acceptance, and operation and maintenance encourages industry players to shift their development model from “one-time compliance” to “long-term stable compliance”, and creates business opportunities for those with deep knowledge and experience in compliance such as AUSTAR.

European Union (EU) GMP and its Annex (pending for public comments), and the revised version of the GMP for Medical Devices provide guidelines for driving innovation in the pharmaceutical industry, enabling a unified digital compliance framework for the “Pharma 4.0”. Updates to these guidelines are expected to create robust demand for AUSTAR’s services in digital transformation and planning, data governance systems, and computerised system management and validation.

China has achieved notable progress in intelligent manufacturing and digital transformation. By the end of 2025, 85 sites had been designated as “Lighthouse Factories”, representing over 40% of the global total, including 10 in the pharmaceutical, food, medical device, and life sciences sectors. The use of digitalization, intelligent technologies, digital twins, and lean methodologies is enhancing traceability, process efficiency, quality control, and cost performance. Lighthouse Factory development demands advanced digital system integration and high standards in design, construction, commissioning, and operations – capabilities that position AUSTAR to support the growth of such projects in the life sciences industry.

Advances in nucleic acid modification and GalNAc-conjugated delivery have removed key drug discovery and development constraints, accelerating the development of small nucleic acid therapies. In 2025, the long-acting lipid-lowering injection drug, Inclisiran, received FDA approval for use as monotherapy, marking a shift in indications from rare diseases to metabolic disorders, signalling the next phase of growth for this modality.

BUSINESS REVIEW

For the Year, while the Group recorded a slight increase in revenue by approximately 2.0%, order-in-take increased by approximately 11.4% as compared to the same period in 2024 due to the successful acquisition of key project contracts. Net profit after tax increased in the Year by 142.3%. Net cash from operating activities increased by 33.7%.

The Group is navigating a period of sharpening its overall competitive edges, as characterised by global business expansion, in-depth research and business development in non-pharma life sciences sectors, “product and project” based business model transformation, and comprehensive and distinguished service portfolio establishment. Following the guidance of these strategies, concrete improvements and positive results were achieved during the Year.

Through reorganising and establishing the international business team at both Group level and Business Group level, technology experts of different fields worked as a unified force and strengthened AUSTAR’s overall technology capabilities, resulting in winning more international projects in 2025, especially from multinational companies (MNC) clients. Meanwhile, leading pharmaceutical enterprises in China are on their way to the global market as well. Based on previous successful collaborations and their recognition of AUSTAR’s capability, future collaborations on their projects outside China are promising.

Continuous expansion of the product line and categories, from both in-house research & development (“**R&D**”) and resource integration, is the prerequisite for our “product and project” business model development.

In 2025, amid surging market demand for synthetic peptide drugs, the 100L–2,000L commercial-scale peptide synthesizers and synthesis systems achieved sustained volume growth and received positive market feedback.

In the oligonucleotide segment, the pilot and commercial-scale production system delivered outstanding performance. AUSTAR successfully facilitated multiple CDMO companies in the smooth transition from engineering construction to pilot or commercial production operations.

Securing the licensing cooperation with POWTEC Maschinen and Engineering GmbH for an important product, the dry granulator, in 2025 marked a significant step in enhancing our powder and solid laboratory technical capabilities and facilitating AUSTAR’s turnkey contracting for Oral Solid Dosage (OSD) core process systems.

The successful replication of a digitalization project with a capacity requirement of an annual output over 10 billion tablets in China is another milestone. By deeply integrating Formulation Technology, Powder Handling System, Automated Guided Vehicle (AGV) for material transfer, as well as core solid preparation process equipment (including dry granulators, wet granulators and coating machines) with an intelligent production control system, energy management system and central dust removal system, AUSTAR provided clients with digitalised and integrated turnkey solutions.

The Group secured a contract to deliver China’s largest-capacity system of its kind, a 2,000L granulation and drying production line. By absorbing the core technologies from Europe and the US, the Group broke through the technical bottleneck of ultra-large production capacity and helped clients establish the production system with the largest single-line capacity for metformin, a classic generic drug for diabetics.

MANAGEMENT DISCUSSION AND ANALYSIS

The visual inspection machines market is shifting from a focus on production capacity to an emphasis on high precision, intelligence, and the ability to address specific technology pain points. In response to the challenges in inspecting complex liquid formulations, AUSTAR leveraged the technical superiority of C-True series inspection machines, and replaced traditional detection solutions in several key projects, which strengthened our position in the area of complex formulation visual inspection.

The Group successfully launched a Pre-filled Syringe (PFS) filling machine, specially designed for pre-fillable containers (compatible with cartridges, vials, etc.). The filling machine could be used in the field of biopharmaceuticals, vaccines, high-end preparations, medical aesthetics, cosmetics etc., representing a crucial step for further expansion in both pharmaceutical and non-pharmaceutical applications.

Driven by factors such as technological innovation, stricter regulations, sustainable development, and continuous upgrading of market structure, the demand for high-end, specialised, and comprehensive integrated services is increasingly prominent. By strengthening the professional depth in terms of compliance, forward-looking processes, and full life-cycle services, AUSTAR showcased our differentiated advantages in the overall professional capabilities. Through the systematic establishment of global delivery capabilities and local support systems in various global regions, the Group has successfully implemented benchmark projects in some key global markets, which have significantly enhanced our brand reputation in the global pharmaceutical field.

ORDER-IN-TAKE

Set out below is a breakdown of the value of the Group's order-in-take (value-added tax ("VAT") included) by business segment:

Order-in-take by business segment	For the year ended 31 December				Change
	2025		2024		
	RMB'000	%	RMB'000	%	
Integrated Process and Packaging					
Equipment & Systems	1,063,828	55.2%	828,501	47.9%	28.4%
Consulting, Digitalization and					
Construction	525,265	27.3%	540,783	31.3%	(2.9%)
Life Science Equipment and					
Consumables	337,426	17.5%	359,551	20.8%	(6.2%)
Total	1,926,519	100.0%	1,728,835	100.0%	11.4%

The total order-in-take amounted to approximately RMB1,926.5 million, representing an increase of approximately RMB197.7 million or 11.4% for the Year, from approximately RMB1,728.8 million for the year ended 31 December 2024. The Business Group of Integrated Process and Packaging Equipment & Systems (“**IPS Business Group**”) had an increase of 28.4%. At the same time, the Business Group of Consulting, Digitalization and Construction (“**CDC Business Group**”) and Life Science Equipment and Consumables (“**SIC Business Group**”) experienced a decrease of 2.9% and 6.2%, respectively.

Integrated Process and Packaging Equipment & Systems

The order-in-take amount of the IPS Business Group amounted to approximately RMB1,063.8 million for the Year, showing an increase of approximately RMB235.3 million, or 28.4%, compared to approximately RMB828.5 million for the year ended 31 December 2024.

The overall economic landscape in 2025 remained relatively weak, yet the industry showed signs of gradual recovery. Amidst fierce market competition, the IPS Business Group secured several key projects through dedicated efforts, overseas market expansion, diversification into sectors like food and nuclear power, optimized cost proposals, and integration of its long-standing resources. This established multiple exemplary long-term clients, resulting in a significant year-on-year increase in overall contract awards. The IPS Business Group is now exploring new avenues for expansion.

Consulting, Digitalization and Construction

The order-in-take amount of the CDC Business Group recorded approximately RMB525.3 million for the Year, representing a decrease of approximately RMB15.5 million, or 2.9%, from approximately RMB540.8 million for the year ended 31 December 2024.

In 2025, amid tightening financing conditions, weaker investment willingness among pharmaceutical clients, heightened regulatory scrutiny, rising investment costs and intensified industry competition, the contract value of cleanroom engineering business declined compared with the year ended 31 December 2024. Overall new construction projects decreased, homogeneous competition intensified sharply, and geopolitical impacts led to a decline in consulting and international certification projects during the Year. Meanwhile, automation services that provide comprehensive energy-saving and efficiency-boosting solutions aligned well with market demand and achieved modest growth in 2025. Driven by the recovery of the pharmaceutical sector and the expansion of its new customer base, the after-sales service business recorded a growth in order volume during the Year.

In 2026, the CDC Business Group will strategically expand into sub-sectors including medical devices, aesthetic medicine and medical-grade food, to foster diversified growth drivers. By deepening cooperation with high-end clients, increasing participation in the early stages of projects, expanding into overseas markets and developing high-quality customer resources, as well as strengthening product line integration, the CDC Business Group aims to secure more high-value contracts in the premium market.

Life Science Equipment and Consumables

The order-in-take amount of the SIC Business Group decreased by approximately RMB22.2 million, or 6.2% from approximately RMB359.6 million for the year ended 31 December 2024 to approximately RMB337.4 million for the Year.

The tariff standoff between China and the US had led to a significant increase in the cost of imported consumables. Coupled with intensifying competition in the domestic market, the pharmaceutical industry had accelerated its shift toward diversified and localized procurement, resulting in a decline in orders for imported products. Concurrently, domestically produced own brand products (“OBP”) had seen substantially increased orders and achieved breakthroughs in overseas markets. However, as their current order share remained relatively low, overall orders still showed a slight decrease compared to 2024 after offsetting these impacts.

In 2026, order volume will be boosted through the following initiatives:

- (1) Continuously enhance the production and R&D capabilities of the consumables manufacturing center and refine the OBP supply system to gradually strengthen AUSTAR’s proprietary brand competitiveness, effectively bolstering the Company’s core competitiveness in an increasingly competitive market environment.
- (2) The established and expanding overseas supply capabilities will facilitate entry into emerging biopharmaceutical markets (e.g., Southeast Asia, Latin America, Middle East). Growing international demand for aseptic transfer and contamination control solutions is expected to generate additional orders in these markets.
- (3) The SIC Business Group will focus on its core domestic life science client base to strengthen proprietary brand capabilities. Leveraging over two decades of contamination control expertise, the SIC Business Group will provide comprehensive, compliant, and lean contamination control strategies to help clients efficiently navigate regulatory upgrades and production risks. Through deep collaboration with these core clients, the SIC Business Group will gradually expand its target customer coverage while enhancing client loyalty and repeat purchase rates.

BACKLOGS

Set out below is a breakdown of the Group's closing value of backlogs (VAT excluded) and the corresponding number of contracts by business segment as at 31 December 2025:

Backlogs by business segment	As at 31 December 2025			
	Number of contracts	%	RMB'000	%
Integrated Process and Packaging				
Equipment & Systems	577	36.7%	573,183	50.8%
Consulting, Digitalization and Construction	872	55.5%	528,950	46.9%
Life Science Equipment and Consumables	123	7.8%	26,330	2.3%
Total	1,572	100.0%	1,128,463	100.0%

PRODUCTION, EXECUTION AND ORGANISATION

Excellent production techniques and stable product quality are crucial guarantees for customer satisfaction. Under the guidance of AUSTAR Production System (APS), the five production sites, located in the UK, France, and Mainland China, collaborate closely with the aim of improving product quality while enhancing productivity. In 2025, continuous improvements were made in multiple aspects such as production site optimisation, organisation synergy, personnel training, efficiency enhancement and man-hour management.

Informatisation and lean improvement: Realise the digitalization of the entire process from production planning, material scheduling to traceability, which ensures product quality while shortening the response cycle. Through standardised operations, value stream analysis, and full-process lean improvement, nearly 100 rationalisation proposals and Kaizen initiatives were rolled out, which significantly increased the per capita output.

Optimisation of technology and production organisation: Enhance the overall execution efficiency from research and design to installation and commissioning. Establish specialised assembly workshops to accommodate complete line installation and commissioning, and facilitate exchanges between China and UK production sites to enhance personnel production techniques and promote global expansion.

Supply chain synergy and after-sales support: Carry out in-depth cooperation between production and supply chain, increase process control ability to ensure stable material supply and one-time delivery qualification rate. In addition, provide installation and testing support for after-sales and on-site testing projects to improve working efficiency and customer satisfaction.

Efficiency improvement and man-hour management: By adopting concentrated project production and cross-functional operations, and closely tracking the material arrival rates to control project and shared man-hours, the proportion of shared man-hours throughout the Year has significantly decreased.

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on full-lifecycle project execution across biopharmaceuticals, chemical preparations, sterile active pharmaceutical ingredients (APIs), polypeptides, recombinant proteins, and vaccines etc., Project Execution Center (“**PEC**”) delivered 340 projects out of over 820 projects executed throughout 2025.

In the Chinese market, PEC concentrated on cutting-edge biomedical fields and established benchmark projects including plant-derived recombinant human serum albumin industrialisation, 3D-printing intelligent solid dosage manufacturing, all of which adhered to GMP and international compliance requirements throughout all processes.

The team undertook a large capacity biopharmaceutical project and was responsible for the design and implementation of full-plant intelligence, automation and energy-saving solutions, realising core technologies such as hyper-convergence and Information Technology (IT)/Operational Technology (OT) integration. The project was deployed with industry-leading platforms including Emerson DeltaV, and established a post-delivery follow-up mechanism to ensure stable production line commissioning.

The team also achieved its first medical device R&D laboratory GMP system upgrading project, realising deep integration of GMP and China National Accreditation Service for Conformity Assessment (CNAS) systems. This initiative successfully supported the client in obtaining GMP certification through authoritative audits, which earned high recognition from the client.

In the global market, PEC concentrated on cleanroom engineering, expanding its reach to Southeast Asia, North Africa, Central Asia, etc. Through executing key projects like ampoule drug product production project in Uzbekistan, a sterile freeze-drying API production line in Indonesia, and soft capsule as well as antibiotic ointment/cream production lines in Algeria, the execution team has completed the full execution process, accumulated experience and refined our operational systems, which will strengthen the Group’s competitiveness in the global market.

SALES AND MARKETING

The Group’s internal sales cooperation model is designed to encourage sales teams from different sectors and different product lines to support each other to offer a more relevant solution to our clients. This model is facilitated by a sophisticated business-intelligent information system of customer relationship management to ensure our clients are properly taken care of and our sales teams work cost-effectively.

In China, through years of sales talent and organisation development, the Company’s sales process is relatively mature, covering the areas of biological and chemical medicine, medical devices, animal health, Chinese medicine, cosmetics, nutra-pharmaceuticals etc. The China sales team is focusing on the China market, while the specific subject matter experts and technology application team are supporting regional sales through technical support, proposal preparation and presentation.

For global expansion, we have been building up the team according to execution strategies. In the last few years, European and Southeast Asian teams were recruited to directly take care of the related sales leads and enquiries. The Group has been working on establishing partnerships and developing sales agents in new territories. By the end of 2025, the Group has formally established cooperative relationships with five new sales agents in the markets of the US, Greece, Uzbekistan, Egypt and India. More breakthroughs and collaborations will follow in developing new markets.

In the second half of 2025, the Group delivered 22 marketing initiatives, bringing the annual total to 36. In addition to strengthening our presence across traditionally focused regions in South Asia, Southeast Asia, Europe, and Russia, we broadened our reach into new global markets in East Asia, North Africa, and Latin America. Several initiatives were executed in close partnership with local agents, further enhancing market access and penetration. Participation in international exhibitions and industry exchanges played a pivotal role in opening new markets, elevating brand recognition, and deepening customer understanding of AUSTAR's technical and engineering capabilities through direct, face-to-face engagement. Furthermore, Open Day visits provided clients with valuable insights into AUSTAR's manufacturing strengths and execution competence.

The Group has officially launched its new Chinese-English bilingual website. As the main corporate portal, the upgraded platform aims to provide global audience with a better understanding of AUSTAR's business and its scientific and technological strengths. In addition, more interactive functions have been established, such as the Industry Insights section – with more than 160 free videos sharing the latest technology knowledge and regulation interpretation; the References section – showcasing classic projects AUSTAR executed to demonstrate its technology competence and solutions in different professional fields; and a Resource Centre – offering over 270 brochures in five languages for clients to download. Our purpose is to promote industry progress through collaborating with all industry contributors.

Social media is a sound business promotion tool for its timely engagement with end users. In 2025, the Group released over 1,380 posts via different Group accounts, which generated over 540,000 views. Meanwhile, two columns were established on LinkedIn, namely "AUSTAR Views" and "AUSTAR Showcase", which attracted over 11,000 subscribers. We would like to share AUSTAR's business progress with all industry players in a timely manner to increase mutual understanding.

RESEARCH AND DEVELOPMENT

As of 31 December 2025, the Group owned 422 patents. During the Year, the Group obtained 24 newly registered patents, and applications for 51 patents are currently in progress.

A cone-cylinder Nutsche filter dryer was developed based on the existing Nutsche filter dryer. This product will expand the drying equipment product portfolio, and enable AUSTAR to provide clients with a more comprehensive drying equipment product portfolio.

Through technical and patent licensing, AUSTAR successfully achieved independent in-house production of core process equipment, including dry granulators and tablet coaters, and obtained commercial orders in the same year. The introduction of these products is an effective supplement to the core process equipment portfolio, and will improve the overall turnkey contracting capability.

Following the development of upstream cell and microbial standard culture systems, the Group has taken further steps in developing the core downstream equipment such as chromatography and inline conditioning system through business cooperation, together with the addition of single-use bioreactors to expand the application of online Raman systems in both upstream and downstream fields.

MANAGEMENT DISCUSSION AND ANALYSIS

Tangential Flow Filtration (TFF), a key unit in the downstream purification process of biopharmaceuticals, has a strong impact on product quality, yield and production cost. In 2025, through an ultrafiltration project in India, AUSTAR has successfully completed the design, R&D, manufacturing and engineering application of its ultrafiltration equipment system, with its key characteristics and performance data having fully met the design requirements. This marked an important step forward in the business development of ultrafiltration products.

In the area of visual inspection technology, significant achievements were made across several new products. Addressing the challenge of cartridge inspection, AUSTAR successfully developed a new product model, which could overcome the core algorithm bottlenecks in identifying foreign particles in suspensions and eliminating bubble interference, and effectively solve the long-standing issue of high false rejection rates.

The successful launch of the Pre-filled Syringe (PFS) inspection machine has improved the C-True series product matrix. In addition, this product was successfully introduced to the medical aesthetics industry. This product innovation has greatly enriched AUSTAR's product application scenarios, and expanded business opportunities.

In the field of vaccine product inspection, our technical capabilities have been fully verified. Particularly, the dedicated inspection machine developed for pneumonia vaccines has taken a leading position in China due to its outstanding detection accuracy and stability.

The development of an external container washer is an important addition to the liquid and powder filling line product portfolio. This in-house development ensures product quality and delivery time, and also enhances the team's capability to supply fully integrated filling lines for highly toxic and highly potent products.

Building upon the existing Vial Disc Capping Machine, the Group has developed a Single-Knife Vial Capping Machine. This achievement expands the available options and diversity in capping methods. The Single-Knife Capping Machine facilitates quicker and more convenient changeover and debugging for products of multiple specifications, while also delivering superior capping results. Its technical advantages are particularly pronounced in serving the high-end market, especially for clients with a variety of container formats.

PROSPECTS

Based on the continuous improvements in technological capabilities, and growing maturity of its product and service portfolios, the Group has established its unique and differentiated growth drivers following its successful establishment of three Business Groups, namely Consulting, Digitalization and Construction (CDC), Integrated Process and Packaging Equipment & Systems (IPS) and Life Science Equipment and Consumables (SIC). Despite facing headwinds in traditional markets, the Group maintains strong growth momentum, fuelled by the unlocking of new markets and progress in adjacent non-pharma sectors.

Consulting, Digitalization and Construction

As a service-based business group, the CDC Business Group integrates global resources to deliver end-to-end solutions – spanning consulting, engineering, digital transformation, and operations and maintenance. Superior project management and execution capabilities enable forward-looking, flexible turnkey delivery throughout the entire project lifecycle.

By identifying market trends, the CDC Business Group keeps refreshing its service portfolio to meet clients' growing expectations. Based on their profound industry knowledge and experience in consultancy, digitalization and regulatory compliance, the adoption of “Front-End Consulting – Intelligent Design – Compliance Integration” service model, which focuses on “Process Integration, Data Continuity, Delivery Upgrade”, has made it possible to serve technically demanding multinational pharmaceutical companies, and successfully differentiated itself from other industry players.

The CDC Business Group has successfully executed a large number of engineering projects in China over the past decade and accumulated extensive expertise in addressing various challenges related to the construction of pharmaceutical and related facilities. Meanwhile, the team also has proven track records of helping clients achieve facility digitalization, as the importance of facility digitalization has proved to be an effective way to reduce operating costs and has been largely recognised by pharmaceutical companies in China. Such valuable engineering projects experience and digitalization capabilities have built a solid foundation for business expansion into other global markets. We are continuously sharpening these competencies, and it is believed that the integrated service capability can help to bring in high-value turnkey projects and generate substantial profit in the medium to long term.

Integrated Process and Packaging Equipment & Systems

Focusing on life sciences core process equipment R&D, process system engineering and professional process technology services, the IPS Business Group has been putting efforts on continuous technological iteration and refinement. Following the strategic approach of “Driving differentiation through technology” and based on the understanding of client expectations of “platform-based, intelligent and integrated solutions”, the IPS Business Group could provide one-stop solutions in the area of:

- Liquid and Bioprocess Systems, featuring Liquid Process and Clean Utility Systems, Liquid Preparation and Complex Formulation, and Bioprocess Systems.
- Aseptic Filling and Freeze Drying, Visual Inspection and Secondary Packaging, featuring Aseptic Filling and Freeze Drying, Visual Inspection Product Line, and Secondary Packaging Solutions.
- Powder and Solid Intelligent Process Systems, featuring Powder Handling System, API, Peptide and Small Nucleic Acid Solution and Oral Solid Dosage Solution.

The strategic shift from a project-based business model to a “Product in Project” and “Product + Project” business model enables the IPS Business Group to put increasing effort on developing its core equipment through its own R&D capabilities instead of sourcing externally for integration. Such core equipment business is believed to be a significant potential revenue driver for the Group in the coming years and to pave the way to expand into non-pharma sectors, such as medical aesthetics and specialty medical devices, which will further diversify and strengthen our revenue streams within the broader life sciences and pharmaceutical ecosystem.

Life Science Equipment and Consumables

Leveraging expert teams and outstanding operations, the SIC Business Group integrates global insights with superior suppliers to deliver sophisticated equipment, consumables, sterility assurance, containment transfer and quality assurance.

With the formal implementation of the National Medical Products Administration (NMPA) Sterile Medicinal Products Appendix in 2026, the need for a more stringent, cost-effective and stable supply of aseptic transfer and containment consumables will surge. Based on their deep knowledge and experience in sterility assurance, containment transfer and quality assurance, and together with the continuous development of the depth and breadth of OBP, ranging from standardised consumables to specialised solutions, the SIC Business Group could provide broader product coverage and integrated services to downstream biopharma, Contract Development and Manufacturing Organization (CDMO) and high-value injectable clients.

Through over 20 years of accumulated expertise in contamination control for the life science sector, the SIC Business Group could deliver comprehensive contamination control strategy solutions that balance strict regulatory compliance with lean operational efficiency, which hold exceptional value for clients in emerging countries. Such expertise supports the business growth of such clients in highly regulated markets. Especially now and in the near future, we can offer cost-effective, self-developed and self-manufactured products to markets beyond China.

Continuous Manufacturing

Continuous manufacturing (CM) is a disruptive technology in pharmaceutical manufacturing, and has become critically significant in replacing the conventional batch manufacturing methods and offering various technical and economic benefits. A notable change in 2025 was that many enterprises have started to practically promote the implementation of continuous manufacturing technology through pilot projects, launching feasibility assessments and tests for such transformation, and actively laying out the construction and implementation of relevant commercial production lines. The Group organised the first product trial and demo of an OSD CM system developed by AUSTAR in 2023. The achievement is based on the long-term effort and resources allocated to talent development of aspects such as digitalization, PAT, pharmaceutical formulation and data processing technology. The technical improvement, driven by product development trials with clients and continuous communications that incorporate client feedback, strengthens the Group's confidence that the CM applications can bring tremendous business opportunities in terms of service and equipment in the medium to long term. The efforts on such technical resource investment will be rewarded in the long term to an astonishing magnitude.

Building Strategic Partnership in Facilitating Global Expansion

Global expansion has been one of the key development strategies of the Group. Over the past few years, although the proportion of global business has not yet become very significant, the growth rate of the Group's business in markets other than Mainland China has continued to increase, especially in the equipment and process system business unit. In addition to enhancing the direct recruitment of employees in target countries, establishing partnerships with local industry players or agents is also an important approach. The combination of each other's advantages in market resources, industry knowledge and technology capabilities could enhance the speed of business development in the local market and increase the success rate of business opportunities. Successful collaborations have brought about business opportunities and profits, and we are actively developing more partnerships in key target countries and regions.

Product Portfolios

Over the last 10 years, the Group has been transitioning its product portfolio from an agent role to a manufacturer role. Today most of the key equipment embedded in our overall technical and engineering solutions is developed and manufactured by the Group. The results of such achievements are not only making the overall solution more competitive in pricing but also offering more products for regional markets other than Mainland China. The more products in our portfolio for regional partners and agents, the more competitive the Company is in attracting better partners and agents in different global regions. The rich own-manufactured or own-brand equipment portfolio strategy implementation runs in parallel with the existing Global Expansion Initiative.

Industry Opportunities

The life sciences industry is resilient as it covers various human and animal health-related subjects, businesses of which may vary from pharmaceuticals, medical devices, medical aesthetics, nutraceuticals, to animal health. A diversified portfolio across various subsectors helps mitigate the impact of fluctuations – whether growth or decline – in any specific life sciences sector or region. Due to continuous advancement in technology and deepening knowledge in life sciences, more therapies and treatments are being discovered. In turn, these new treatments require more advanced equipment, systems and consumables to support the entire product life-cycle from product discovery and development to manufacturing. Such ever-evolving processes and resilient nature are exactly the beauty of this industry in which AUSTAR has been so fortunately involved for several decades with in-depth knowledge of its nature and product characteristics.

The Group has no intention to diversify into other industries except those that can leverage the Group's existing technology platforms with better profit margins and can acquire orders without significant marketing effort. The Group's associate company, Noozle Fluid Technology (Shanghai) Co., Ltd ("**Noozle**"), is entering the battery material handling and processing sector, with a significant share of business in non-pharma sectors. The Group will be directing increased efforts toward powder material handling and treatment, as it can easily leverage the Group's technology strengths in Containment, Formulation and Powder & Solid Processes.

Pharma Sector & Medical Aesthetics Sector

Thanks to the trust of our clients, the Group has been able to acquire complex and large-scale projects for specific drug products such as ADCs, polypeptides and oligonucleotide drugs etc., over the past several years, in some cases acting as turnkey solution providers. These fast-growing sectors can generate considerable revenue opportunities to the Group. Breakthroughs in therapies such as Cell and Gene Therapy for rare diseases offer significant opportunities for the Group's clients especially when governments such as the Chinese government are providing greater assistance through the social healthcare system to tackle the issues of rare-disease drug expenses.

Biotechnology has been applied to medical aesthetics and conventional pharmaceutical packaging technology has been adopted in medical aesthetics as well. As regulatory and quality requirements for this sector are becoming more stringent, solution providers such as the Group are well positioned to benefit from the growth of this sector in South Korea and China for consumables, equipment and systems.

Secondary Packaging in Pharma Sector

The Group has been focusing on developing packaging line products over the past 10 years by acquisition of interest in ROTA Verpackungstechnik GmbH & Co. KG (“**ROTA KG**”) and technology plus ancillary business in Nanjing Bojian Technology Co., Ltd., both of which are involved mainly in primary packaging machineries. By developing visual inspection and leak detection equipment with the C-true team and brand established in 2024 as a bridge into the secondary packaging machineries business sector, the Group established the AUSTAR-Gaoger joint-branding partnership in 2025 to offer a complete pharmaceutical packaging solution. This strategic vision of becoming a dominant pharmaceutical packaging machinery manufacturer will enable the Group to develop a new revenue stream from the existing clients who have built a relationship of trust over the years through our installed process systems.

RESULTS OF OPERATIONS

Revenue

The Group provides its services and products under three Business Groups, namely: (1) Integrated Process and Packaging Equipment & Systems (IPS), the major product types of which include liquid process system and powder and solid system; (2) Consulting, Digitalization and Construction (CDC), the major product types of which include design consulting, compliance services system, and cleanroom/automation control system; and (3) Life Science Equipment and Consumables (SIC), which focuses on life sciences consumables, advanced therapies and advanced bioprocessing technologies.

The Group’s total revenue amounted to approximately RMB1,530.7 million for the Year, representing an increase of approximately 2.0% compared to the year ended 31 December 2024, primarily attributable to the increase in revenue from the IPS Business Group, which was partially offset by the decrease in revenue from the CDC Business Group and the SIC Business Group.

The following table sets forth the breakdown of the Group’s revenue by Business Group:

Revenue by business segment	For the year ended 31 December				Change
	2025		2024		
	RMB'000	%	RMB'000	%	
Integrated Process and Packaging Equipment & Systems	794,199	51.9%	655,205	43.6%	21.2%
Consulting, Digitalization and Construction	432,470	28.2%	515,814	34.4%	(16.2%)
Life Science Equipment and Consumables	304,003	19.9%	329,383	22.0%	(7.7%)
Total	1,530,672	100.0%	1,500,402	100.0%	2.0%

Integrated Process and Packaging Equipment & Systems

The Group's revenue from the IPS Business Group increased by approximately RMB139.0 million, or 21.2%, from approximately RMB655.2 million for the year ended 31 December 2024 to approximately RMB794.2 million for the Year. The increase was mainly due to an increase in both the opening backlog and orders received during the Year.

Consulting, Digitalization and Construction

The Group's revenue from the CDC Business Group decreased by approximately RMB83.3 million, or 16.2%, from approximately RMB515.8 million for the year ended 31 December 2024 to approximately RMB432.5 million for the Year. The decline in the backlog balance as at the end of 2024, coupled with the relatively weak order-in-take in the Year, resulted in a decline in revenue recognized in the Year.

Life Science Equipment and Consumables

The Group's revenue from the SIC Business Group decreased by approximately RMB25.4 million, or 7.7%, from approximately RMB329.4 million for the year ended 31 December 2024 to approximately RMB304.0 million for the Year. The decrease was mainly due to the impact of major clients' shift to domestic procurement alternatives, which led to reduced sales orders for imported consumables for the Year.

The following table sets forth the breakdown of the Group's revenue by geographical regions:

Revenue	For the year ended 31 December				Change
	2025		2024		
	RMB'000	%	RMB'000	%	
Mainland China	1,334,665	87.2%	1,333,487	88.9%	0.1%
Other regions outside mainland					
China and other countries	196,007	12.8%	166,915	11.1%	17.4%
Total	1,530,672	100.0%	1,500,402	100.0%	2.0%

The Group derived its revenue mainly from customers in Mainland China, which accounted for approximately 87.2% of the total revenue for the Year (2024: approximately 88.9%). Revenue from other regions outside mainland China and other countries showed an increase during the Year.

Cost of sales

The Group's cost of sales increased by approximately RMB38.2 million or 3.2% from approximately RMB1,199.2 million for the year ended 31 December 2024 to approximately RMB1,237.4 million for the Year. The increase was mainly due to the rise in revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB7.9 million or 2.6% from approximately RMB301.2 million for the year ended 31 December 2024 to approximately RMB293.3 million for the Year. The gross profit margin decreased from approximately 20.1% for the year ended 31 December 2024 to approximately 19.2% for the Year. The decrease in the gross profit margin was mainly due to the lower gross profit margin achieved by the IPS Business Group.

	2025			2024		
	Gross profit RMB'000	%	Gross profit margin %	Gross profit RMB'000	%	Gross profit margin %
Integrated Process and Packaging						
Equipment & Systems	91,053	31.0%	11.5%	92,834	30.8%	14.2%
Consulting, Digitalization and						
Construction	81,240	27.7%	18.8%	79,621	26.4%	15.4%
Life Science Equipment and						
Consumables	120,978	41.3%	39.8%	128,762	42.8%	39.1%
Total gross profit for reportable segments	293,271	100.0%	19.2%	301,217	100.0%	20.1%

Notes:

1. Gross profit margin by business group represents gross profit divided by revenue of the respective business group for the Year.
2. Total gross profit margin represents total gross profit divided by total revenue for the Year.

Integrated Process and Packaging Equipment & Systems

The gross profit from the IPS Business Group decreased by approximately RMB1.7 million, or 1.8%, from approximately RMB92.8 million for the year ended 31 December 2024 to approximately RMB91.1 million for the Year. The gross profit margin decreased from approximately 14.2% for the year ended 31 December 2024 to approximately 11.5% for the Year. Amid limited market demand, competition had intensified, leading to downward pressure on quotations during the bidding process. Customers increasingly prioritized low-price bids over high profit margins, resulting in a decline in gross profit margin for the Year as compared to the year ended 31 December 2024.

Consulting, Digitalization and Construction

The gross profit from the CDC Business Group increased by approximately RMB1.6 million, or 2.0%, from approximately RMB79.6 million for the year ended 31 December 2024 to approximately RMB81.2 million for the Year. The gross profit margin increased from approximately 15.4% for the year ended 31 December 2024 to approximately 18.8% for the Year. In 2025, the overall gross profit margin of signed contracts increased as driven by the improvement in client category. The CDC Business Group proactively refrained from low-price bidding, and stepped up efforts to develop more high-end clients that prioritize construction quality.

Life Science Equipment and Consumables

The gross profit from the SIC Business Group decreased by approximately RMB7.8 million or 6.1% from approximately RMB128.8 million for the year ended 31 December 2024 to approximately RMB121.0 million for the Year. The decrease in gross profit was mainly due to the decrease in revenue. The gross profit margin increased from approximately 39.1% for the year ended 31 December 2024 to approximately 39.8% for the Year. The improvement in gross profit margin was primarily attributable to the enhancement of production capacity of in-house products, coupled with improved supply chain management and cost control.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB7.7 million, or 5.8%, to approximately RMB139.6 million for the Year from approximately RMB131.9 million for the year ended 31 December 2024. The increase was mainly the result of the increase in sales commissions, professional fees, and promotion expenses.

Administrative expenses

Administrative expenses decreased by approximately RMB21.8 million, or 20.3%, to approximately RMB85.4 million for the Year from approximately RMB107.2 million for the year ended 31 December 2024. The decrease was mainly the result of decrease in personnel cost, professional fees, office expenses and travelling expenses.

Net impairment gains on financial assets and contract assets

Net impairment gains on financial assets and contract assets of approximately RMB3.7 million were recorded for the Year, compared to net impairment losses on financial assets and contract assets of approximately RMB3.4 million for the year ended 31 December 2024. The impairment gains mainly reflected the impact of individual credit risk assessment for certain higher-risk customers and projects after considering the likelihood of recovery from specific debtors.

R&D expenses

The Group's R&D expenses decreased by approximately RMB8.4 million or 15.7% to approximately RMB45.1 million for the Year from approximately RMB53.5 million for the year ended 31 December 2024. The decrease was mainly the result of the decreased R&D personnel cost during the Year.

Other income

Other income decreased by approximately RMB15.2 million, or 55.3%, to approximately RMB12.3 million for the Year from approximately RMB27.5 million for the year ended 31 December 2024. This decrease was mainly due to the absence of the government grants for compensation for land use right of approximately RMB14.0 million during the Year which was available in 2024.

Other gains – net

The Group recorded a net other gain of approximately RMB15.0 million for the Year, which was mainly due to exchange gains of approximately RMB8.7 million and gain on early termination of lease contracts of approximately RMB2.8 million. For the year ended 31 December 2024, there were gain on bargain purchase on acquisition of a subsidiary of approximately RMB4.1 million and gain on early termination of lease contracts of approximately RMB1.1 million, which was partially offset by exchange losses of approximately RMB4.1 million.

Finance costs – net

Finance costs – net decreased from approximately RMB14.3 million for the year ended 31 December 2024 to approximately RMB10.7 million for the Year, mainly due to the decrease of interest expenses as a result of lower loan interest level and less lease liabilities during the Year.

Share of net profit of investments accounted for using the equity method

The Group's share of net profit of investments accounted for using equity method increased by approximately RMB4.3 million, from approximately RMB0.3 million for the year ended 31 December 2024 to approximately RMB4.6 million for the Year, primarily due to the increase in profit contribution from the Group's associates, Noozle and ROTA KG.

Profit before income tax

The Group recorded a profit before income tax of approximately RMB48.1 million for the Year compared to a profit before income tax of approximately RMB21.2 million for the year ended 31 December 2024. The increase in the profit before income tax was due to the combined effect of the factors as described above in this section.

Income tax expense

Income tax expense increased by approximately RMB7.6 million, from approximately RMB7.6 million for the year ended 31 December 2024 to approximately RMB15.2 million for the Year, which was mainly due to the increase in profit before income tax.

Profit for the year

The Group recorded a profit for the Year of approximately RMB32.9 million compared to a profit of approximately RMB13.6 million for the year ended 31 December 2024, which was primarily attributable to the combined effect of the factors as described above in this section.

LIQUIDITY AND FINANCIAL RESOURCES

The following table summarizes the Group's consolidated statement of cash flows:

	For the year ended 31 December	
	2025 RMB'000	2024 RMB'000
Net cash from operating activities	132,104	98,805
Net cash (used in)/from investing activities	(12,952)	4,430
Net cash used in financing activities	(57,908)	(101,323)
Net increase in cash and cash equivalents	61,244	1,912

For the Year, the Group had net cash from operating activities of approximately RMB132.1 million, which was mainly attributable to the following:

- i. profit before income tax for the Year of approximately RMB48.1 million, plus the depreciation of property, plant and equipment and right-of-use assets totalling approximately RMB41.6 million and the amortization of intangible assets of approximately RMB7.5 million;
- ii. a decrease in trade and note receivables of approximately RMB69.7 million, and an increase in contract liabilities of approximately RMB58.3 million, and a decrease in prepayments and other receivables of approximately RMB25.3 million; and
- iii. partially offset by an increase in contract assets of approximately RMB66.2 million and an increase in inventory of approximately RMB52.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year, the Group had net cash used in investing activities of approximately RMB13.0 million, which was mainly attributable to purchase of property, plant, and equipment in a total amount of approximately RMB23.1 million and payment for land use right classified as right-of-use assets of approximately RMB6.2 million, which were partially offset by the proceeds from disposal of land use right classified as right-of-use assets of approximately RMB14.5 million.

For the Year, the Group had net cash used in financing activities of approximately RMB57.9 million, which was mainly due to the repayments of borrowings of approximately RMB421.9 million, principal elements of lease payments of approximately RMB11.7 million and interest paid of approximately RMB12.0 million. These outflows were partially offset by proceeds from borrowings of approximately RMB389.7 million.

As at 31 December 2025 and 31 December 2024, the Group had cash and cash equivalents of approximately RMB227.4 million and RMB166.8 million, respectively, and balances of pledged bank deposits under current assets were approximately RMB49.1 million and RMB38.9 million, respectively, and term deposits with initial term of over three months of nil and RMB1.0 million, respectively. As at 31 December 2025, the cash and cash equivalents, and the pledged bank deposits were mainly denominated in US\$, EUR and RMB.

The Group does not have any financial instruments for hedging purpose.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

Net current assets

The Group's net current assets as at 31 December 2025 increased by approximately RMB62.5 million, or 17.2%, from approximately RMB363.1 million as at 31 December 2024 to approximately RMB425.6 million as at 31 December 2025. This increase was driven by improvement of profit and cash flow.

As at 31 December 2025, the Group's total current assets amounted to approximately RMB1,613.7 million, which represented an increase of approximately RMB61.9 million as compared with approximately RMB1,551.8 million as at 31 December 2024.

As at 31 December 2025, the Group's total current liabilities amounted to approximately RMB1,188.1 million, which represented a decrease of approximately RMB0.6 million as compared with that of approximately RMB1,188.7 million as at 31 December 2024.

Borrowings and gearing ratio

As at 31 December 2025, the total short-term borrowings amounted to approximately RMB237.6 million. The secured short-term bank borrowings amounted to approximately RMB97.6 million, bearing interest rates ranging from 1.20% to 3.00% per annum (2024: 1.50% to 3.80% per annum), the unsecured short-term bank borrowings amounted to approximately RMB140.0 million, bearing interest rates ranging from 2.40% to 3.00% per annum (2024: 2.95% to 3.90% per annum).

The long-term bank borrowings amounted to approximately RMB84.0 million, bearing interest rates ranging from 2.65% to 3.70% per annum (2024: 3.30% to 4.25% per annum), among which the long-term borrowings due within one year amounted to approximately RMB20.8 million, bearing interest rates from 2.65% to 3.70% per annum (2024: 3.30% to 4.25% per annum).

The Group's gearing ratio was approximately 29.4% as at 31 December 2025 (31 December 2024: 33.9%). The ratio was calculated based on gross debts as of the respective dates divided by total capital as of the respective dates and multiplied by 100%.

Pledged assets

As at 31 December 2025, in addition to pledged bank deposits of approximately RMB49.4 million (31 December 2024: approximately RMB38.9 million), the Group had buildings and right-of-use assets having a total carrying amount of approximately RMB207.6 million and approximately RMB61.7 million respectively (31 December 2024: buildings and right-of-use assets having a total carrying amount of approximately RMB223.6 million and approximately RMB64.1 million respectively) which were pledged as collateral for certain bank borrowings of the Group.

Contingent liabilities

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgements and legal advice. No provision will be made for pending lawsuits if management believes the outflow of resources is not probable.

As at 31 December 2024, the Group provided a guarantee to a bank in respect of one irrevocable letter of credit utilised by ROTA KG totalling EUR600,000 (equivalent to approximately RMB4,515,000). This represented the maximum exposure of the Group under the guarantee. Such letter of credit had been withdrawn during the Year.

HUMAN RESOURCES

As at 31 December 2025, the Group had 1,468 full-time employees for R&D, sales and marketing, administration, project management and execution and manufacturing. This represents an increase of 23 employees as compared with the number of employees as at 31 December 2024. The staff costs (including the Directors' remuneration) were approximately RMB368.3 million for the Year, which represented a decrease of approximately 8.5% as compared with approximately RMB402.6 million for the year ended 31 December 2024.

Staff costs of the Group decreased mainly due to the Group's organizational structure optimization and efforts to enhance organizational vitality.

The Group regularly reviews its remuneration policies and employee benefits with reference to market practices and performance of individual employees. The remuneration of the employees and the Directors are determined by reference to their responsibilities, professional qualification, industry experience and performance. The emolument policy of the Directors is recommended by the remuneration committee of the Board ("**Remuneration Committee**") and determined by the Board.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made statutory contributions for its employees in Hong Kong, Taiwan, India, Indonesia, Germany, UK and Malaysia.

The Group has formulated provisions and rules on employees' training, such as the "Training and Development Control Procedures" and the "Training Management Control Procedures", detailing the implementation of training and accountability in training. In addition, in the "Staff Handbook", the Group divides training into orientation, overseas training, management training, professional skills training and corporate culture training.

CAPITAL COMMITMENT

Capital expenditure on property, plant and equipment that had been contracted for but not yet incurred as of 31 December 2025 and 2024 amounted to approximately RMB15.3 million and RMB2.1 million respectively, which was mainly attributable to the commitment of construction of the new facilities in Shanghai and Shijiazhuang.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

There were no significant investments, material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Year.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro, US dollar and HK dollar. Foreign exchange risk arises from internal borrowings among the Group's subsidiaries which operate in different functional currencies, the foreign currencies held by the Group's subsidiaries and offices and the sales of the Group's products and services to overseas customers who settle payments in foreign currencies. The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not utilize any financial instruments such as forward currency exchange contracts to hedge the risks.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following tables sets forth certain information relating to our Directors:

Name	Age	Position
Executive Directors		
Mr. Ho Kwok Keung, Mars	63	Chairman and Chief Executive Officer
Mr. Ho Kin Hung	69	Executive Director
Madam Zhou Ning	53	Executive Director
Mr. Bian Ce	49	Executive Director
Non-executive Director		
Madam Ji Lingling	43	Non-executive Director
Independent Non-executive Directors		
Mr. Cheung Lap Kei	54	Independent non-executive Director
Madam Chiu Hoi Shan	49	Independent non-executive Director
Mr. Leung Oi Kin	51	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. Ho Kwok Keung, Mars (“**Mr. Mars Ho**”) (何國強), aged 63, is the founder of the Group. He was appointed as a Director on 9 January 2014 and has been an executive Director since 20 June 2014. He is the chairman of the Board, the chief executive officer of the Company, the chairman of the nomination committee of the Board (“**Nomination Committee**”), a member of the corporate governance committee of the Board (“**Corporate Governance Committee**”) and a director of certain subsidiaries of the Company. He is responsible for overseeing the business, corporate strategy and long-term planning all-round development of the Group. Mr. Mars Ho has over 40 years of experience in the pharmaceutical industry. In recognition of Mr. Mars Ho’s dedication and achievements in the pharmaceutical industry, he was selected and awarded the honor of pharmaceutical 中國醫藥「60年60人」(“60 Elites of 60 years” in China Pharmaceutical) in November 2009, which is a recognition of his effort in influencing and contributing to the pharmaceutical industry in China and was awarded the title of 行業領航人 (“**Industry Pilots**”) by China National Pharmaceutical Packaging Association in April 2019, which is a recognition of his long-term and outstanding contribution to the development of pharmaceutical packaging of China. He had served as the chairman of China Affiliate of International Society of Pharmaceutical Engineering (ISPE) from 2011 to 2012 and had been a member of the ISPE China board of directors and executive council from 2013 to 2017. Mr. Mars Ho had co-edited a number of pharmaceutical professional books such as Pharmaceutical Process Validation Manual, Microbial Control in Pharmaceutical Cleanroom, Pharmaceutical Liquid Process, Pharmaceutical Water Systems and Quality Risk Management in Pharmaceutical Industry: A Practical Guide. He is the current technical consultant and a member of the board of directors of China National Pharmaceutical Packaging Association. Mr. Mars Ho obtained a bachelor of science degree in engineering from The University of Hong Kong in November 1985. Mr. Mars Ho is a director and the sole shareholder of Standard Fortune Holdings Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**SFO**”) and the controlling shareholder (as defined under the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”)) of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Kin Hung (“Mr. KH Ho”) (何建紅), aged 69, joined the Group on 20 August 2003. He was appointed as a Director on 9 January 2014 and has been an executive Director since 20 June 2014. Mr. KH Ho is also a director of two subsidiaries of the Company. He is responsible for overall management of operations and sales of the Group. Mr. KH Ho has over 40 years of experience in the pharmaceutical industry. Prior to joining the Group, Mr. KH Ho worked as a marketing executive at China Fen Hin Medicine Co., Ltd from February 1981 to January 1992, where he was responsible for marketing. China Fen Hin Medicine Co., Ltd was primarily engaged in the export and wholesale of Chinese medicine and health products. He obtained a higher diploma in China trade awarded jointly by the Hong Kong Management Association and the Institute of Research on Economics of SEZs, Hong Kong and Macau Jinan University, China in October 1987. Mr. KH Ho is a director and the sole shareholder of True Worth Global Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Madam Zhou Ning (“Madam Zhou”) (周寧), aged 53, joined the Group on 10 April 2014 and has been an executive Director since 20 June 2014. She is also the chairlady of each of the Corporate Governance Committee and the risk management committee of the Board (“**Risk Management Committee**”) and a member of the Remuneration Committee. Madam Zhou is also a director of certain subsidiaries of the Company. She is responsible for overall management of operations and internal control of the Group. Madam Zhou has over 20 years of experience in the pharmaceutical industry. Before joining the Group in April 2014, from November 2005 to February 2014, Madam Zhou had been employed by a company controlled by Mr. Mars Ho, the chairman of the Board, an executive Director, the chief executive officer and one of the controlling shareholders (as defined under the Listing Rules) of the Company, responsible for finance, supply chain and factory operation management. Madam Zhou graduated with a bachelor’s degree of arts from 北京師範大學 (Beijing Normal University*) in China in June 1995 and a master’s degree in business administration from 北京大學 (Peking University*) in China in January 2006.

Mr. Bian Ce (“Mr. Bian”) (邊策), aged 49, joined the Group in April 2022 as the vice president and simultaneously served as the general manager of a subsidiary of the Company. In January 2024, he was promoted to senior vice president of the Group, mainly responsible for overseeing the IPS Business Group and managing the Group’s International Business Division. He has been an executive Director and a member of the Risk Management Committee since 26 August 2025. He is also a director of a number of subsidiaries of the Company.

Mr. Bian graduated from Beijing University of Technology in 1998 with a bachelor’s degree in engineering, specialising in refrigeration equipment and cryogenic technology. With over 20 years of experience in the field of core process equipment for injectable drugs, Mr. Bian has gained extensive experience and achieved outstanding results in various aspects relating to core process equipment for injectable drugs, such as in terms of research and development, manufacturing, international market expansion and business development, as well as industry mergers, acquisitions, and integration.

Prior to joining the Group, Mr. Bian held senior roles at major pharmaceutical equipment manufacturers, including IMA Life (Beijing) Pharmaceutical Systems Co., Ltd. (“**IMA Life**”) and Truking Technology Limited (whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300358)), where he was primarily responsible for technical research and development and international market development.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bian was previously involved in a civil proceeding brought by IMA Life regarding trade secrets. In 2013, the court ruled against Mr. Bian and his two former colleagues, ordering them to stop the relevant conduct and jointly pay RMB450,000 in total to the plaintiff. Mr. Bian confirmed that he had fully complied with the court's order and there have been no further issues since then.

NON-EXECUTIVE DIRECTOR

Madam Ji Lingling (“**Madam Ji**”) (季玲玲), aged 43, has been a non-executive Director since 20 June 2014, on which she joined the Group. She is also a member of each of the audit committee of the Board (“**Audit Committee**”) and the Risk Management Committee. Madam Ji is a qualified lawyer in the PRC and has over 20 years' experience in legal compliance. Since July 2005, Madam Ji has been engaged by a company controlled by Mr. Mars Ho, the chairman of the Board, an executive Director, the chief executive officer and one of the controlling shareholders (as defined under the Listing Rules) of the Company, as an assistant to Mr. Mars Ho, assisting him in overseeing all legal matters. Madam Ji graduated from 中國人民大學 (Renmin University of China*) in China with a bachelor's degree in laws in July 2004 and from 北京大學 (Peking University*) in China with a master's degree in laws in January 2012 respectively. Madam Ji also obtained the Master of Laws degree from Temple University of the United States in November 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Lap Kei (“**Mr. Cheung**”) (張立基), aged 54, has been an independent non-executive Director since 21 October 2014. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Mr. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 30 years of experience in auditing, accounting and financing. He has worked for big four accounting firms (Ernst & Young and KPMG, Certified Public Accountants). He has also served different roles such as executive director, chief financial controller and company secretary, etc. in several companies which are listed on the Main Board of the Stock Exchange. Mr. Cheung has been serving as the Group Chief Financial Officer and the company secretary of Wang On Group Limited (Stock Code: 1222) since 1 November 2022 and 25 January 2025, respectively. Mr. Cheung received a bachelor's degree in commerce from The Australian National University in Australia in September 1994, and a master's degree in business administration from Deakin University in Australia in August 2006.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Madam Chiu Hoi Shan (“**Madam Chiu**”) (趙凱珊), aged 49, has been an independent non-executive Director since 21 October 2014. She is also the chairlady of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Corporate Governance Committee. Madam Chiu obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from The University of Hong Kong in December 1998 and June 1999 respectively. She has been practicing as a solicitor in Hong Kong since August 2001 and her practice has been focusing on civil litigation and corporate commercial matters. Madam Chiu commenced practice as a founding partner of Chiu & Co. from August 2017 and remains a partner of S.H. Leung & Co, both being solicitors’ firms in Hong Kong engaged in the provision of various legal services. Madam Chiu has served as company secretary of Chongqing Machinery & Electric Co., Ltd* (Stock code: 2722) since October 2014, (joint) company secretary of Chongqing Iron & Steel Company Limited (Stock code: 1053) since March 2018, and joint company secretary of Maanshan Iron & Steel Company Limited (Stock code: 323) since April 2018. The shares of all of the above companies are listed on the Main Board of the Stock Exchange. From May 2024 to June 2025, Madam Chiu was an independent non-executive director of Carry Wealth Holdings Limited (Stock code: 643), the shares of which are listed on the Main Board of the Stock Exchange. Madam Chiu was appointed as a mediator of Shenzhen Qianhai International Commercial Mediation Center and an arbitrator of Nanjing Arbitration Commission since August 2020. She has also been appointed as a mediator of Shanghai Commercial Mediation Center since November 2023.

Mr. Leung Oi Kin (“**Mr. Leung**”) (梁愷健), aged 51, has been an independent non-executive Director since 21 October 2017. Mr. Leung is a professional accountant and a fellow member of the CPA Australia. He has over 20 years of experience in accounting and financial management. Mr. Leung worked in PricewaterhouseCoopers’ audit and assurance services team. Mr. Leung has been serving as an executive director and the company secretary of G-Resources Group Limited (Stock code: 1051), shares of which are listed on the Main Board of the Stock Exchange, since 8 November 2016 and 16 December 2016, respectively. Since 25 November 2025, Mr. Leung has been an independent non-executive director of International Genius Company (Stock code: 33), shares of which are listed on the Main Board of the Stock Exchange. Mr. Leung graduated from University of Adelaide, Australia in 1997 with a bachelor’s degree in Commerce and obtained the degree of Master of Business Administration with honours from the University of Chicago Booth School of Business in the United States in 2022.

SENIOR MANAGEMENT

Name	Age	Position
Madam Wang Wei	52	Senior Vice-president
Madam Tang Xiangdi	48	Vice-president of Corporate Development and Finance

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Madam Wang Wei (“Madam Wang”) (王瑋), aged 52, was appointed as the Group’s senior vice-president in October 2015 and she is primarily responsible for the marketing of the Group and the overall operation and management of the Life Science Equipment and Consumables Division. Madam Wang joined the Group in October 2003 and was responsible for sales marketing and operation of consumables, instrument and equipment in life-sciences industry until June 2015. Since June 2015, Madam Wang has been in charge of full operations of the Life Science Equipment and Consumables Business Unit. She was also appointed as general manager of Austar Hansen Lifesciences (Shanghai) Ltd, a wholly-owned subsidiary of the Company, in June 2015, and was further appointed as vice president of the Group in October of the same year. Prior to joining the Group, Madam Wang worked for NCPC Genetec Biotechnology Co. Limited as quality assurance supervisor from 2000 to 2003 and served as the leader of Strain Breeding Group, Hebei Welcome Pharmaceutical Co., Ltd. from 1995 to 1999. Madam Wang obtained a bachelor’s degree from Hebei University of Science and Technology on 5 January 2010.

Madam Tang Xiangdi (“Madam Tang”) (唐湘娣), aged 48, was appointed as the Group’s financial controller on 1 November 2013 and has served as the Group’s vice-president of corporate development since 1 December 2020. Since 17 April 2025, she has worked as the Group’s vice president of corporate development and finance, primarily responsible for corporate development and finance management. She has over 15 years of experience in financial reporting and treasury management. She had been a finance manager since April 2009 in a company controlled by Mr. Mars Ho, the chairman of the Board, chief executive officer and one of the controlling shareholders (as defined under the Listing Rules) of the Company, prior to joining the Group. Madam Tang obtained a bachelor’s degree in management at 中南財經政法大學 (Zhongnan University of Economics and Law*) in June 2000. She also obtained a master’s degree of business administration from 北京大學 (Peking University) in June 2014, a master’s degree of accounting from 清華大學 (Tsinghua University) and a master’s degree of science in CFO leadership from 新加坡管理大學 (Singapore Management University) in June 2022.

REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements (“**Consolidated Financial Statements**”) of the Company for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

From 2024 onwards, the six business segments of the Group have been consolidated into three business segment groups: (1) Integrated Process and Packaging Equipment & Systems (IPS), which basically combined all the original business segments of Liquid and Bioprocess System and Powder and Solid System; (2) Consulting, Digitalization and Construction (CDC), which consolidates all the services and engineering construction business into one business segment, from the original business segments of Clean Room and Automation Control and Monitoring System, GMP Compliance Service, and a majority of Distribution and Agency of Pharmaceutical Equipment; and (3) Life Science Equipment and Consumables (SIC), which was renamed from the former business segment of Life Science Consumables.

A detailed review on the Group’s business performance and the material factors underlying its financial position during the Year, as well as the development and likely future prospects of the Group’s business are provided throughout this annual report and in particular under the following separate sections:

- (a) review of the Company’s business, financial position, development and future prospects is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report;
- (b) details of key performance indicators are shown in the sections headed “Financial Highlights” and “Management Discussion and Analysis” of this annual report;
- (c) the principal risks and uncertainties facing the Company are shown in the paragraph headed “Risks and Uncertainties” below;
- (d) the Group’s environmental policies and performance are shown in the paragraph headed “Environmental Policies and Performance” below;
- (e) the Group’s key relationships with employees, customers and suppliers are shown in the paragraph headed “Relationships with Key Stakeholders” below; and
- (f) the Group’s compliance with the relevant laws and regulations are shown in the paragraph headed “Compliance with Laws and Regulations” below.

The discussions referred to above form part of this report of the Directors.

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks

Major relevant alleviating measures

Business/Market risks

The pharmaceutical equipment, process system and service market is competitive, when domestic and foreign competitors may develop and introduce new products sooner than the Group, or provide more attractively priced, enhanced, or better quality products and systems, than the Group does. In addition, competition may intensify if the pharmaceutical equipment, process system and service market expands as demand increases, and in such case, it may result in downward pressure on price which could negatively impact the Group's business, financial condition, result of operations, and prospects.

Customer relationship management is a series of strategies and processes that create new and mutual value for individual customers, builds preference for their organizations, improves business results over a lifetime of association with their customers, and in turn, creates loyalty and customer retention. Higher risk in customer relationship management may have negative impact on customer retention or result in loss of client information upon the departure of the Group's staff.

The Group continuously reviews its competitive edges in view of the industry and market trend, in order to formulate responsive marketing strategy and product developments.

Through proactive communication with its customers and strong research teams, the Group is able to develop and improve its products and services to cater for various needs of the market and to provide the tailor-made products and services to different clients for enhancing the price advantage of the Group. Such efforts are reflected not only in the Group's products, but also through seminars, publications and participations in international exhibitions, to develop the "AUSTAR" brand image and gain recognition and awareness among the Group's customers, industry experts and the market at large.

To manage the customer relationship management risk, all customer information (including potential clients) will be gathered and stored in a centralized electronic database of the Company, instead of being kept by individual sales staff. This can prevent the loss of customer information when sales staff leaves the Company.

Risks

Operational risks

Cost management is critical in ensuring the Group's projects meet their budgeted profit margins. The risk of cost overruns increases with the prolonged project execution and the rising labour costs.

The Group's operations are highly dependent on its personnel, including both senior and mid-level management, engineers, skilled technical personnel and marketing and sales personnel. The Group may be materially and adversely affected if any of these key personnel leaves the Group and there is no adequate and timely replacement.

Major relevant alleviating measures

The Group, through various means in particular the establishment of engineering project execution centre, strives to promote closer relationship and information sharing between the marketing team, project engineers and technical experts in budgeting and cost monitoring.

The engineering project execution centre also strengthens the Group's ability to monitor and coordinate its various projects, both in supply chain management and human resources allocation, in order to achieve an optimal use of the Group's resources and avoid its personnel being overworked.

The Group also closely monitors its staffing and maintains close communication between the engineering project execution centre and the human resources department, so that any recruitment needs would be promptly addressed.

The Group allocates ample resources to staff training and development with the aim of sustaining a competent, professional and ethical workforce, while also assisting the long-term career development of its staff.

Risks

Major relevant alleviating measures

Compliance risks

The Group's operations are subject to the environmental protection, safety and health laws and regulations in the PRC. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of the Group's licences or permits to conduct its business. Given the number and complexity of these regulations, compliance with them may be difficult or involve significant financial and other resources in establishing efficient compliance and monitoring systems.

Through close monitoring of various legal and regulatory pronouncements from the government by its industry experts and legal and compliance personnel, the Group is able to keep itself updated with various regulatory requirements. Adequate and timely trainings are provided to operational staff, and monitoring and control measures are established to ensure efficient and effective compliance with the laws and regulations.

Please also refer to Note 32 to the Consolidated Financial Statements for the financial risk management objectives and policies of the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS

(a) Employees

Human resources is one of the greatest assets of the Group and 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 a good relationship with its employees. Staff remuneration and promotion are measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. Performance evaluations are conducted annually. During the Year, recreational activities and team building activities were held to enhance internal communication, reinforce a sense of belonging and promote team building.

(b) Customers

As disclosed in the paragraph headed “Major customers and suppliers” below, the five largest customers of the Group accounted for approximately 20.4% of the Group’s total revenue for the Year. These major customers are chemical and biopharmaceutical manufacturers and the Group has maintained stable relationships with them for around 2 to 20 years. The credit period granted to these major customers is in line with those granted to the other customers. During the Year, settlement of trade receivables by these major customers in accordance with the credit terms granted was satisfactory.

Taking into account the considerable revenue of the Group attributable to its key customers and the possible financial and reputational impact which could bring to the Group if the Group were to lose these major customers, the Group has implemented a series of policies including customer complaints management, customer satisfaction surveys, top management random inspection and after-sales service, in order to maintain customer intimacy and keep a good relationship with its key customers.

During the Year, the Group organized and attended public training and seminars featuring attendees from pharmaceutical companies who are mainly from production, quality, and engineering departments. The introduction of advanced concepts is deemed to improve the overall level of the pharmaceutical industry.

The Group also continues its pace in research and development with an aim to offer more comprehensive solutions to its customers, so as to retain existing customers and attract new customers.

(c) Suppliers

The Group has developed stable relationships with many of its key suppliers and generally retains one to three suppliers for each principal raw material. At the beginning of each year, the management discusses with major suppliers about price reduction, payment terms improvement and enters into master procurement agreements. The Group also conducts annual appraisal on all existing suppliers so as to ensure materials produced by those suppliers are in line with the Group’s quality requirements.

To keep the Group at the forefront of innovation, suppliers are frequently invited to provide new product training to the Group’s staff, including those from the sales, technical and procurement departments. New ideas can be applied to project proposals so as to provide customers with the most competitive solutions.

Further discussion on the relationships with key stakeholders is also contained in the Environmental, Social and Governance Report of the Company for the Year (“**2025 ESG Report**”).

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the Group's corporate and social responsibility to promote a sustainable and ecofriendly environment. In this respect, the Group strives to minimize its environmental impact by reducing the carbon footprint and to develop its business in a sustainable way. During the Year, the Group was subject to various environmental protection laws and regulations. For more details, please refer to the 2025 ESG Report for the Group's work in respect of environmental protection, social and governance during the Year.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Shares are listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all relevant laws and regulations in the PRC and applicable laws in other jurisdictions where it has operations. During the Year and up to the date of this report of the Directors, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

Further discussion on the Group's compliance with laws and regulations is contained in the 2025 ESG Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the Consolidated Financial Statements of this annual report. The Board is of the view that funds shall be retained at present to satisfy the requirements of the Group's business development and operations, and the Directors do not recommend the payment of any dividend for the Year.

ANNUAL GENERAL MEETING, CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 22 May 2026 ("**2026 AGM**").

For determining the entitlement to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Monday, 18 May 2026 to Friday, 22 May 2026, both days inclusive, during which period no transfer of Shares will be registered. The record date for determining the entitlement to attend and vote at the 2026 AGM is Friday, 22 May 2026. In order to be eligible to attend and vote at the 2026 AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Friday, 15 May 2026.

FINANCIAL SUMMARY

A summary of the published financial results and the assets and liabilities of the Group for the Year, together with the financial results and the assets and liabilities of the Group for the four years ended 31 December 2024, is set out in the section headed “Five-Year Financial Summary” of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the Group’s property, plant and equipment during the Year are set out in Note 13 to the Consolidated Financial Statements.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2025 are set out in Note 24 and Note 25 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the Company’s share capital are set out in Note 22 to the Consolidated Financial Statements. There was no movement in the Company’s share capital during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the Consolidated Statement of Changes in Equity on pages 89 to 90 and in Note 40 to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company’s reserves available for distribution to the shareholders of the Company (“**Shareholders**”) as at 31 December 2025 amounted to RMB431,994,000 (31 December 2024: RMB437,724,000).

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company (“**Shares**”).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed minimum percentage of public float during the Year and up to the date of this annual report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association ("**Articles**") or applicable laws of the Cayman Islands, the jurisdiction in which the Company is incorporated.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Ho Kwok Keung, Mars (*Chairman and Chief Executive Officer*)

Mr. Ho Kin Hung

Mr. Chen Yuewu (*Resigned on 26 August 2025*)

Madam Zhou Ning

Mr. Bian Ce (*Appointed on 26 August 2025*)

Non-executive Director

Madam Ji Lingling

Independent Non-executive Directors

Mr. Cheung Lap Kei

Madam Chiu Hoi Shan

Mr. Leung Oi Kin

Mr. Chen Yuewu resigned as an executive Director with effect from 26 August 2025 due to his other work commitment.

In accordance with Article 83(3) of the Articles, Mr. Bian Ce, who was appointed by the Board to fill a casual vacancy arising from the resignation of Mr. Chen Yuewu on 26 August 2025, shall hold office until the 2026 AGM, while each of Mr. Ho Kwok Keung, Mars, Madam Zhou Ning and Madam Ji Lingling will retire by rotation at the 2026 AGM pursuant to Article 84 of the Articles. All the above Directors, being eligible, will offer themselves for re-election at the 2026 AGM.

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung and Madam Zhou Ning, being executive Directors, has renewed his/her letter of appointment with the Company for a fixed term of two years commencing on 20 June 2024, subject to certain early termination clauses of the letter.

Mr. Bian Ce, being an executive Director, has entered into a letter of appointment with the Company for a fixed term of two years commencing on 26 August 2025, subject to certain early termination clauses of the letter.

The non-executive Director, Madam Ji Lingling, has renewed her letter of appointment with the Company for a fixed term of two years commencing on 20 June 2025, subject to certain early termination clauses of the letter.

Each of the independent non-executive Directors has renewed his/her letter of appointment with the Company for a fixed term of one year commencing on 21 October 2025, subject to certain early termination clauses of the letter.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of independence. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

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

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers ("**Model Code**") set out in Appendix C3 to the Listing Rules, were as follows:

Long position

Name of Director	The Company/ Name of associated corporations	Capacity/ Nature of interest	Number and class of shares held/interested in the Company/associated corporations	Approximate percentage of interest
Mr. Ho Kwok Keung, Mars ("Mr. Mars Ho")	The Company	Interest of a controlled corporation	335,929,000 Shares (Note 1)	65.54%
	The Company	Interest of spouse	3,750,000 Shares (Note 2)	0.73%
	Standard Fortune Holdings Limited (" SFH ") (Note 3)	Beneficial owner	1 ordinary share of US\$1	100%
Mr. Ho Kin Hung ("Mr. KH Ho")	The Company	Interest of a controlled corporation	37,271,000 Shares (Note 4)	7.27%

Notes:

- (1) Such Shares were registered in the name of SFH, a company wholly-owned by Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares held by SFH. Mr. Mars Ho is a director of SFH.
- (2) Such Shares were registered in the name of Honour Choice Ventures Limited ("**HCV**"), a company wholly-owned by Madam Gu Xun ("**Madam Gu**"), the spouse of Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares in which Madam Gu is interested or deemed to be interested.
- (3) As at 31 December 2025, SFH was the holding company of the Company and thus an associated corporation of the Company.
- (4) Such Shares were registered in the name of True Worth Global Limited ("**TWG**"), a company wholly-owned by Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Mr. KH Ho is deemed to be interested in all the Shares held by TWG.

Save as disclosed above, as at 31 December 2025, none of the Directors and/or chief executive of the Company nor their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year or at the end of the Year was the Company or its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of acquisitions of Shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and controlling shareholders (as defined under the Listing Rules) of the Company nor their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the Year and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

During the Year, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. All related party transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. The Company confirms that it has complied with the requirements under Chapter 14A of the Listing Rules. Details of these related party transactions are disclosed in Note 35 to the Consolidated Financial Statements.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for the shareholding interests of certain Directors through their connected entities as disclosed elsewhere in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, whether directly or indirectly, was entered into or subsisted at the end of the Year or at any time during the Year.

No contract of significance (whether for the provision of services to the Company or not) was entered into or subsisted between the Group and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the Year.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 10 to the Consolidated Financial Statements. The Directors' remunerations, bonuses and other compensation are recommended by the Remuneration Committee with reference to the Directors' duties, responsibilities and the Group's performance and results and approved by the Board.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles provide that the Directors at any time, whether at present or in the past, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the Year and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in Section 9 of the Companies (Directors' Report) Regulation (Cap. 622D of the Laws of Hong Kong)) (whether made by the Company or otherwise) being in force for the benefit of any of the Directors or any of the directors of an associated company.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and the Mandatory Provident Fund Scheme for the employees in Hong Kong. The Group has also made statutory contributions for its employees in India, Indonesia, Germany, UK and Malaysia. Particulars of these retirement plans are set out in Note 2.24 to the Consolidated Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, to the best knowledge of the Directors and the senior management of the Company, the table below listed out the persons (other than the Directors or chief executive of the Company), who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long position

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/Interested in	Approximate percentage of interest
Madam Gu	Interest of a controlled corporation	3,750,000 (Note 1)	0.73%
	Interest of spouse	335,929,000 (Note 2)	65.54%
SFH (Note 3)	Beneficial owner	335,929,000	65.54%
Madam Cheung Chau Ping ("Madam Cheung")	Interest of spouse	37,271,000 (Note 4)	7.27%
TWG	Beneficial owner	37,271,000	7.27%

Notes:

- (1) Such Shares were registered in the name of HCV, a company wholly-owned by Madam Gu. By virtue of the provisions in Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares held by HCV.
- (2) Such Shares were registered in the name of SFH, a company wholly-owned by Mr. Mars Ho. Madam Gu is the spouse of Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares in which Mr. Mars Ho is interested or deemed to be interested.
- (3) SFH is wholly-owned by Mr. Mars Ho.
- (4) Such Shares were registered in the name of TWG, a company wholly-owned by Mr. KH Ho, an executive Director and the spouse of Madam Cheung. By virtue of the provisions of Part XV of the SFO, Madam Cheung is deemed to be interested in all the Shares in which Mr. KH Ho is interested or deemed to be interested.

Save as disclosed above, as at 31 December 2025, the Directors and the senior management of the Company were not aware of any other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (“**Corporate Governance Code**”) contained in Part 2 of Appendix C1 to the Listing Rules and has prepared the corporate governance report, which is set out in the section headed “Corporate Governance Report” of this annual report. The Board will continue to review and monitor the practices of the Company with an aim to maintaining the highest standard of corporate governance.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the largest customer and the largest supplier of the Group accounted for approximately 11.1% and 8.3% of the Group’s total revenue and total purchases respectively, and the five largest customers and the five largest suppliers of the Group accounted for approximately 20.4% and 19.3% of the Group’s total revenue and total purchases respectively.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company’s issued share capital) had a material interest in the Group’s five largest customers or suppliers at any time during the Year.

AUDIT COMMITTEE

The Board established the Audit Committee on 21 October 2014 which comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and the non-executive Director, namely Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditor of the Company. Details of the terms of reference of the Audit Committee are published on the Company’s website and the website of the Stock Exchange.

The Audit Committee has reviewed the Consolidated Financial Statements for the Year.

AUDITOR

The Consolidated Financial Statements for the Year have been audited by Moore CPA Limited (“**Moore**”), which shall retire and, being eligible, offer itself for re-appointment at the 2026 AGM. A resolution for the re-appointment of Moore as the auditor of the Company is to be proposed at the 2026 AGM.

On 17 November 2023, PricewaterhouseCoopers resigned as the auditor of the Company and Moore was appointed by the Board as the auditor of the Company to fill the casual vacancy so arising. Apart from this, there were no other changes of the auditor in the preceding three years.

On behalf of the Board

Ho Kwok Keung, Mars

Chairman

26 March 2026

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules.

Save for the deviation from code provision C.2.1 of the Corporate Governance Code as described in the paragraph headed “Chairman and Chief Executive Officer” below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code then in force during the Year.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding its Directors’ securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

BOARD OF DIRECTORS

Function of the Board

The Board is responsible for establishing the Group’s strategic goals, leading and monitoring the Group’s development and achieving established strategic goals to protect and maximize the interests of the Company and the Shareholders. The Group has adopted internal guidelines in setting forth matters that require the Board’s approval. Apart from its statutory responsibilities, the Board is also required to approve the Group’s strategic development plan, key operational initiatives, major investments and funding decisions. It also reviews the Group’s financial performance, identifies principal risks of the Group’s business and ensures implementation of appropriate systems to manage these risks.

Daily business operations and administrative functions of the Group are delegated to the management of the Group (“**Management**”).

Board Composition

The Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Directors during the Year and up to the date of this annual report were as follows:

Name	Other positions in the Group	Length of tenure as at the end of the Year (years)	Current period of appointment
Executive Directors			
Mr. Ho Kwok Keung, Mars	Chairman of the Board Chief executive officer of the Company Chairman of the Nomination Committee Member of the Corporate Governance Committee	12	From 20 June 2024 to 19 June 2026
Mr. Ho Kin Hung	–	12	From 20 June 2024 to 19 June 2026
Mr. Chen Yuewu <i>(Resigned on 26 August 2025)</i>	N/A	N/A	N/A
Madam Zhou Ning	Chairlady of each of the Corporate Governance Committee and the Risk Management Committee Member of the Remuneration Committee	11.5	From 20 June 2024 to 19 June 2026
Mr. Bian Ce <i>(Appointed on 26 August 2025)</i>	Member of the Risk Management Committee	0.3	From 26 August 2025 to 25 August 2027
Non-executive Director			
Madam Ji Lingling	Member of each of the Audit Committee and the Risk Management Committee	11.5	From 20 June 2025 to 19 June 2027

Name	Other positions in the Group	Length of tenure as at the end of the Year (years)	Current period of appointment
Independent Non-executive Directors			
Mr. Cheung Lap Kei	Chairman of the Audit Committee Member of each of the Remuneration Committee and the Nomination Committee	11.2	From 21 October 2025 to 20 October 2026
Madam Chiu Hoi Shan	Chairlady of the Remuneration Committee Member of each of the Audit Committee, the Nomination Committee and the Corporate Governance Committee	11.2	From 21 October 2025 to 20 October 2026
Mr. Leung Oi Kin	–	8.2	From 21 October 2025 to 20 October 2026

Mr. Bian Ce, who was appointed as an executive Director on 26 August 2025, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules and on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 13 August 2025, and he has confirmed that he understood his obligations as a director of a listed issuer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the Corporate Governance Code requires the roles of the chairman and chief executive should be separated and should not be performed by the same individual.

Mr. Ho Kwok Keung, Mars assumes the roles of both of the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired under the present arrangement and this structure will enable the Company to make and implement decisions promptly and efficiently. In addition, the Board is of the view that its balanced composition of executive and non-executive Directors (including the independent non-executive Directors) provides adequate safeguards to ensure a balance of power and authority. This is further supported by its various committees, which are primarily comprised of independent non-executive Directors and are each responsible for overseeing different aspects of the Company's affairs.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the Year, the Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

With a view to ensuring that independent views and input are available to the Board, the Board and the Nomination Committee assess the independence of independent non-executive Directors annually taking into account all relevant factors including: (1) the diversity, skills, qualifications, experience, character and integrity to perform their duties; (2) the devotion of sufficient time and attention to the affairs of the Company; (3) the contribution to the Company's strategy and policies through independent and constructive comments; and (4) the absence of any financial, business or family or other material relationships with other members of the Board or substantial Shareholders or circumstances which would interfere with their exercise of independent judgment.

The Company has received a confirmation of independence from each of Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Leung Oi Kin, being all the independent non-executive Directors. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

MECHANISM TO ENSURE INDEPENDENT VIEWS AND INPUTS TO THE BOARD

To ensure that independent views and input are available to the Board, the following mechanism has been established by the Board:

- Where appropriate, the Company shall arrange suitable and sufficient resources to cover any matters relating to the obtaining of an independent opinion by the Board, including but not limited to the engagement of a legal team or any other professionals for such purpose.
- Where appropriate, the Directors shall give at least three working days' notice to the company secretary of the Company ("**Company Secretary**") to obtain an independent opinion, including but not limited to engaging a professional team for such purpose.
- The Board is required to review its structure, size, composition (including skills, knowledge and experience) and diversity policy at least annually to ensure that the composition of the Board complies with the relevant requirements of the Listing Rules including maintaining a balanced mix of executive and non-executive Directors (including independent non-executive Directors) so that the Board has a strong element of independence which can effectively exercise independent judgment.
- If all the independent non-executive Directors have served on the Board for more than nine years, the Company should consider to appoint a new independent non-executive Director at the forthcoming annual general meeting.

The Board has reviewed the implementation and effectiveness of the said mechanism during the Year and considered that it has been operating effectively and will continue to monitor its implementation and effectiveness on an annual basis.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The non-executive Director and all independent non-executive Directors are appointed for a term of two years and one year respectively, subject to renewal upon expiry of the existing term.

Each of the non-executive Director and the independent non-executive Directors is also subject to the rotation and retirement provisions in the Articles.

BOARD COMMITTEES

The Board has established five specialized committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Risk Management Committee (collectively, the “**Board Committees**”). Each committee has its own written terms of reference and is responsible to make recommendations to the Board for different aspects of the Company’s affairs. All of the Board Committees are allocated with sufficient resources to discharge their duties.

Audit Committee

The Board established the Audit Committee on 21 October 2014 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code. The Audit Committee currently comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and the non-executive Director, namely Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are published on the Company’s website and the website of the Stock Exchange.

The primary duties of the Audit Committee are to review the half-yearly and annual results of the Company and to supervise the Group’s financial reporting process and internal control system, to formulate or review policies relating anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation, and to communicate with external auditor on the audit procedures and accounting issues.

During the Year, the Audit Committee held three meetings, and the attendance of each member is set out in the paragraph headed “Board meetings and general meeting – Directors’ attendance records at meetings of the Board and the Board Committees and general meeting” below.

In addition to holding meetings, the Audit Committee also dealt with matters by way of circulation of written resolutions during the Year.

A summary of the work performed by the Audit Committee during the Year is listed below:

- reviewed the Group’s annual financial statements for the year ended 31 December 2024 and interim financial statements for the six months ended 30 June 2025 and the related result announcements, documents and other matters or issues raised by external auditor of the Company;
- reviewed the terms of engagement of the auditor of the Company;
- recommended to the Board, for the approval by the Shareholders, of the re-appointment of the auditor of the Company;
- considered the audit planning in respect of the Group’s audit work for the Year;
- reviewed the Group’s internal audit plan for the three years ending 31 December 2027;
- discussed and confirmed with the management the effectiveness of the Group’s financial reporting process, risk management and internal control systems;
- considered the necessity of establishing an internal audit function;
- reviewed the terms of reference of the Audit Committee; and
- recommended to the Board the adoption of the amendment to the terms of reference of the Audit Committee.

Remuneration Committee

The Board established the Remuneration Committee on 21 October 2014 with written terms of reference in compliance with the Corporate Governance Code. The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one executive Director, namely Madam Zhou Ning. Madam Chiu Hoi Shan is the chairlady of the Remuneration Committee. The terms of reference of the Remuneration Committee are published on the Company’s website and the website of the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies.

The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and the general market conditions. The Remuneration Committee has adopted the approach under code provision E.1.2(c)(ii) of the Corporate Governance Code to make recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

During the Year, the Remuneration Committee held one meeting and the attendance of each member is set out in the section headed “Board meetings and general meeting – Directors’ attendance records at meetings of the Board and the Board Committees and general meeting” below.

A summary of the work performed by the Remuneration Committee during the Year is listed below:

- reviewed the existing policy and structure for the remuneration of the Directors and senior management of the Company;
- reviewed and recommended to the Board the remuneration adjustment proposal for executive Directors, non-executive Director and senior management of the Company and the remuneration packages of independent non-executive Directors;
- reviewed the terms of reference of the Remuneration Committee; and
- recommended to the Board the remuneration package of the proposed executive Director.

Nomination Committee

The Board established the Nomination Committee on 21 October 2014 with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee currently comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one executive Director, namely Mr. Ho Kwok Keung, Mars. Mr. Ho Kwok Keung, Mars is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are published on the Company’s website and the website of the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations on any proposed changes to the Board, identify individuals suitably qualified to be Directors and assess the independence of the independent non-executive Directors.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for the selection, appointment and re-appointment of Directors, as well as orderly succession plans (if considered necessary), including periodic review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The Nomination Committee may nominate or invite a candidate for appointment as a Director for consideration. The Nomination Committee shall evaluate the personal profile of each candidate based on the criteria set out below, undertake adequate due diligence in respect of each candidate, and make a recommendation for the Board's consideration and approval.

The Nomination Committee assesses each candidate based on the following criteria:

- Basic eligibility: the candidate is aged 18 or above; possesses work experience and qualifications considered fit by the Nomination Committee; and is not prohibited by law or the Articles from acting as a director.
- Time, attention and board effectiveness: the candidate's ability to devote sufficient time and attention to the Company's affairs, including the capacity to exercise independent judgment, lead on potential conflicts of interest, serve on Board committees if invited, contribute relevant business and financial experience, scrutinise corporate performance, ensure proper functioning of Board committees, and comply with all applicable requirements under the Board, constitutional documents, legislation and the Listing Rules.

When considering the appointment or re-appointment of Directors, the Nomination Committee will also consider various factors to ensure that proposed candidates possess the requisite experience, character, and integrity to act as a Director. These factors include (a) the background, experience, and qualifications of the candidate; and (b) the benefits of diversity, including but not limited to gender, age, cultural and educational background, and professional experience, taking into account the Group's business model and specific needs. The above diversity factors are set out in the board diversity policy ("**Board Diversity Policy**") adopted by the Company on 21 October 2014 and amended on 27 September 2022. The Board Diversity Policy is available on the websites of the Company and the Stock Exchange.

Below is the summary of the Board Diversity Policy:

- The Company is committed to equality of opportunity in all aspects of its business.
- The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, background, race, gender and other qualities.
- In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.
- The Company endeavours to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board's effectiveness.
- Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

If a candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules as an independent non-executive Director.

During the Year, the Nomination Committee held one meeting and the attendance of each member is set out in the section headed "Board meetings and general meeting – Directors' attendance records at meetings of the Board and the Board Committees and general meeting" below.

A summary of the work performed by the Nomination Committee during the Year is listed below:

- reviewed the Board's structure, size and composition;
- assessed the independence of the independent non-executive Directors;
- made recommendation to the Board on the re-election of retiring Directors at the 2025 AGM (as defined below);
- reviewed the time devoted by non-executive Director and independent non-executive Directors to perform his/her responsibilities to the Company;
- reviewed the terms of reference of the Nomination Committee;
- recommended to the Board the adoption of the amendments to the terms of reference of the Nomination Committee;
- considered the nomination of a candidate to join the Board as an executive Director.

During the Year, the Nomination Committee had reviewed the Board composition and was of the opinion that the Board consisted of members with different gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, which met the objectives under the Board Diversity Policy.

As at the date of this report, more than one third of the members of the Board are female Directors, and the Board is satisfied that an adequate level of gender diversity has been achieved. The Company, is committed to providing equal opportunities as well as selecting the right candidates based on objective criteria with due regard for the benefits of diversity. In particular, the Company will ensure that gender diversity is emphasized and maintained at the Board level in succession planning in order to make available a diverse pipeline of candidates for appointment to the Board in case of any vacancies.

Corporate Governance Committee

The Board established the Corporate Governance Committee on 21 October 2014 and the Corporate Governance Committee currently comprises one independent non-executive Director, namely Madam Chiu Hoi Shan and two executive Directors, namely Mr. Ho Kwok Keung, Mars and Madam Zhou Ning. Madam Zhou Ning is the chairlady of the Corporate Governance Committee. The terms of reference of the Corporate Governance Committee are published on the Company's website and the website of the Stock Exchange.

The primary duties of the Corporate Governance Committee are to review and monitor the Company's policies and practices on corporate governance matters and on compliance with the Corporate Governance Code and other relevant legal and regulatory requirements. It is also responsible for reviewing and monitoring the training and continuous professional development of the Directors and senior management and compliance with the code of conduct applicable to the employees and Directors.

During the Year, the Corporate Governance Committee held one meeting, at which the members reviewed the Company's compliance with the Corporate Governance Code for the Year, reviewed and monitored the training and continuous professional development of the Directors, and reviewed the terms of reference of the Corporate Governance Committee. The attendance of each member is set out in the section headed "Board meetings and general meeting – Directors' attendance records of the Board and the Board Committees and general meeting" below.

Risk Management Committee

The Board established the Risk Management Committee on 21 October 2014 and the Risk Management Committee currently comprises one non-executive Director, namely Madam Ji Lingling and two executive Directors, namely Madam Zhou Ning and Mr. Bian Ce. Madam Zhou Ning is the chairlady of the Risk Management Committee. The terms of reference of the Risk Management Committee are published on the Company's website and the website of the Stock Exchange.

The primary duties of the Risk Management Committee are to review the Group's risk management policies and standards, the fundamental concepts and scope of compliance management, to provide comment on the overall target and basic policy of compliance and risk management, to monitor and evaluate the risks of the Group's business in respect of its sales to sanctioned countries and to take measures to protect the interests of the Group and the Shareholders. It is also responsible for reviewing and monitoring the training and continuous professional development of Directors and senior management.

During the Year, the Risk Management Committee held two meetings, at which the members reviewed the compliance by the Group with its undertakings to the Stock Exchange, further details of which are set out below, and reviewed, evaluated and confirmed the effectiveness of the risk management and internal control policy and system of the Company. It also reviewed the terms of reference of the Risk Management Committee, and the training and continuous professional development of the Directors. The attendance of each member is set out in the section headed “Board meetings and general meeting – Directors’ attendance records at meetings of the Board and the Board Committees and general meeting” below.

The Company has undertaken to the Stock Exchange that it will not use the proceeds from the IPO, as well as other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any countries which are the targets of economic sanctions as administered by the United States Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”), under the laws of other countries and under international law, such as Lebanon and Iran (“**Sanctioned Countries**”), and Russia (where certain persons and entities listed on OFAC’s Specially Designated Nationals and Blocked Person List are located) or any other government, individual or entity sanctioned by the European Union, the United Nations, the United States, Australia or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions (“**Undertaking**”).

Subsequent to the listing of the Shares on the Stock Exchange, as a risk management policy, the Company has engaged a firm of international legal counsel to advise on laws of the Sanctioned Countries in order to enable the Company to comply with the Undertaking given by the Company to the Stock Exchange as contained in the prospectus of the Company dated 28 October 2014 (“**Prospectus**”).

BOARD MEETINGS AND GENERAL MEETING

During the Year, a general meeting, being the 2025 annual general meeting, was held on 23 May 2025 (“**2025 AGM**”), and four Board meetings were held.

Prior notices convening the Board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary was responsible for keeping minutes for the Board meetings.

In addition to regular Board meetings, the chairman of the Board met with the independent non-executive Directors without the presence of other Directors during the Year.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group’s performance, status and prospects to keep it abreast of the Group’s affairs and facilitate the Directors’ performance of their obligations under the relevant requirements of the Listing Rules.

Directors' attendance records at meetings of the Board and the Board Committees and general meeting

Name of Director	Attendance/Number of Meetings Eligible to attend							2025 AGM
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Corporate	Risk		
					Governance Committee meeting	Management Committee meeting		
Executive Directors:								
Mr. Ho Kwok Keung, Mars	4/4	N/A	1/1	N/A	1/1	N/A	1/1	
Mr. Ho Kin Hung	4/4	N/A	N/A	N/A	N/A	N/A	1/1	
Mr. Chen Yuewu (Note 1)	3/3	N/A	N/A	N/A	N/A	2/2	1/1	
Madam Zhou Ning	4/4	N/A	N/A	1/1	1/1	2/2	1/1	
Mr. Bian Ce (Note 2)	1/1	N/A	N/A	N/A	N/A	0/0	0/0	
Non-executive Director:								
Madam Ji Lingling	4/4	3/3	N/A	N/A	N/A	2/2	1/1	
Independent non-executive Directors:								
Mr. Cheung Lap Kei	4/4	3/3	1/1	1/1	N/A	N/A	1/1	
Madam Chiu Hoi Shan	4/4	3/3	1/1	1/1	1/1	N/A	1/1	
Mr. Leung Oi Kin	4/4	N/A	N/A	N/A	N/A	N/A	1/1	

Notes:

- (1) Mr. Chen Yuewu resigned as an executive Director on 26 August 2025. Prior to his resignation, three Board meetings, two Risk Management Committee meetings and one general meeting were held during his tenure in the Year.
- (2) Mr. Bian Ce was appointed as an executive Director on 26 August 2025. After his appointment, one Board meeting was held, and no Risk Management Committee meeting or general meeting was held during his tenure in the Year.

DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

For the Year, the number of Directors and/or members of the senior management being entitled to emoluments within the following bands were as follows:

Emoluments Band	For the year ended 31 December 2025
HK\$1,000,000 and below	8
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,000,000	1
HK\$2,000,001 and above	–
	11

Pursuant to Appendix D2 to the Listing Rules, the emoluments of the employees who are Directors and who are amongst the five highest paid individuals are set out in Note 10 to the Consolidated Financial Statements.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

All Directors, namely, Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung, Madam Zhou Ning, Mr. Bian Ce, Madam Ji Lingling, Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Leung Oi Kin, had participated in continuous professional development either by attending relevant programmes and seminars on directors' duties or by perusing reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records for the Year to the Company.

The Company is committed to arranging and funding suitable training for all Directors to support their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she remains fully aware of his/her roles, functions, duties and responsibilities under the Listing Rules, applicable legal and regulatory requirements and the governance policies of the Group.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("**Uni-1**"), to provide compliance and a full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Madam Mak Yuk Kiu ("**Madam Mak**"), the representative of Uni-1, was appointed as the Company Secretary.

Madam Tang Xiangdi, the vice president of corporate development and finance, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Madam Mak has taken not less than 15 hours of relevant professional training for the Year.

WORKFORCE DIVERSITY POLICY

The Board adopted a workforce diversity policy (the “**Workforce Diversity Policy**”) for the Group on 1 July 2025. A summary of the Workforce Diversity Policy is set out below:

- The Group is committed to promoting workforce diversity across all levels, including senior management. Diversity encompasses, but is not limited to, gender, educational background, professional qualifications, skills, industry experience and other relevant attributes. In forming its perspective on diversity, the Group will take into account factors based on its own business model and specific needs from time to time.
- The Group is also committed to fostering gender empowerment, gender equality and gender diversity across its workforce, and providing equal opportunities in relation to recruitment, training and development, compensation and career and promotion opportunities.
- The Group prohibits discrimination on the grounds of race, gender, disability, nationality, religious belief, age, sexual orientation, family status or any other factor.
- All employment decisions of the Group (including recruitment, training and development, promotion and compensation) shall be made based on merit, qualifications and business needs, with due regard for the benefits of diversity of skills, experience and perspectives and free from discrimination or bias.

The Group also seeks to maintain a diverse workforce. As at 31 December 2025, the male-to-female gender ratio in the Company’s workforce (including senior management) was approximately 3.17:1. The Group mainly considers the personal merits and capabilities, qualifications, working experiences and performance of individuals during the recruitment process, transfer, promotion, and training regardless of gender. In the interests of enhancing operational efficiency, the Company has not set any measurable objective for achieving gender diversity at the workforce level. The Company has always adopted a meritocratic approach and adhered to the principle of openness and fairness without any discrimination on the grounds of gender, disability, marital status, pregnancy, religion, nationality, social or economic class, rural or urban background, political opinion, health condition or sexuality.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the Consolidated Financial Statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules and the Management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year is set out in the section headed "Independent Auditor's Report" on pages 76 to 84 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's responsibilities for the risk management and internal control systems

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee and the Risk Management Committee. However, the Board recognizes that no cost effective internal control and risk management systems will preclude all errors and irregularities, as such 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.

The main responsibilities of the relevant governing body of the Company in respect of risk management and internal control are described as follows:

- | | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board | <ul style="list-style-type: none">– Set up goals for risk management strategy, assess and determine the nature and degree of risk acceptable to achieve the strategic goals
– Establish and maintain a proper and effective risk management and internal control systems
– Review the effectiveness of the risk management and internal control systems
– Review the effectiveness of the Group's processes for financial reporting and Listing Rules compliance |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- | | |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Committee | <ul style="list-style-type: none">– Review the Company’s financial controls and internal control system at least annually, and such review should cover all material controls, including financial, operational and compliance controls
– Ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and financial reporting functions, as well as those related to environmental, social and governance reporting
– Discuss the internal control system with the Management to ensure that the Management has performed its duty to have an effective internal control system. The discussion covers adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and financial reporting functions, as well as those related to environmental, social and governance reporting
– Consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the Management’s response to these findings |
| Risk Management Committee | <ul style="list-style-type: none">– Oversee and review the adequacy and effectiveness of risk management procedures that are already in place
– Review the effectiveness of the Group’s risk management system at least annually
– Review the compliance reports and risk assessment reports that need to be reviewed by the Board, and to make recommendations on improvement of the Company’s compliance and risk management
– Review and provide comment on the overall target and basic policy of compliance and risk management
– Allocate resources for the internal control and risk management systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives |

- The Management
- Design and implement the risk management and internal control systems
 - Monitor the status of remediation of internal control weaknesses
 - Analyse the probability and impact of the risks and assess the existing risk management procedures
 - Monitor the on-going risk and develop necessary responsive measures according to risk management procedures
 - Provide confirmation to the Board and the Board Committees on the effectiveness of the risk management and internal control systems

In addition, the Company has engaged external consultant to conduct annual review of the effectiveness of the risk management and internal control systems for the Year, to follow up on the internal control weaknesses identified in the preceding year and the remedial actions, to report to the Board and the Board Committees, to develop risk assessment for the Year and to formulate 3-year internal audit plans.

The Management has provided a confirmation to the Audit Committee and the Risk Management Committee on the effectiveness of these systems for the Year. The Audit Committee and Risk Management Committee have recommended the Board to approve the confirmation by the Management.

The dynamics of the Group and the environment within which it operates are continually evolving, which in turn affects the risk exposure of the Group. The Group continues to review the adequacy of its risk management and internal control framework and looks for opportunities to make improvements and appropriate and additional resources will be provided when necessary.

Main features of the risk management and internal control systems

The Management will report to the Board from time to time as regards findings on the internal control weaknesses and provide remedial action plan to the Board. The Management will also follow-up on status of remediation of selected internal control weaknesses which have been reviewed and pointed out by the external consultant.

The Board has engaged an external consultant to conduct an internal control review and assessment for the Year. The external consultant has followed up on the findings on the internal control weaknesses in the preceding year and the remedial actions taken during the Year. The internal control assessment conducted by the external consultant included to assess the system for reviewing and reporting information and findings to the Board and the Management, and to assess whether the material controls are sufficient and adequate for the Group.

CORPORATE GOVERNANCE REPORT

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations (COSO) framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

Control Environment	–	the foundation for the other components of internal control and provides discipline and structure
Risk Assessment	–	a dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed
Control Activities	–	actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out
Information and Communication	–	internal and external communication to provide the Group with the information communication needed to carry out day-to-day controls
Monitoring	–	ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning

Process used to identify, evaluate and manage significant risks

The Group's risk governance composed of four levels: risk management decision-making, the Risk Management Committee, risk management execution and risk management oversight. Risk management execution is further composed of centralized risk management function and specified risk responsible departments.

The Management is the ultimate risk management decision-making body and makes risk management decisions on major risk matters. The Risk Management Committee is responsible for managing the Group's risk matters, directing and coordinating the work of centralized risk management function and specified risk responsible departments. Risk Management Department, as centralized risk management function, is responsible for organizing and arranging cross-functional departments and risk management activities. Each specific risk responsible department is responsible for risk management assessment and response in relation to its corresponding business activities.

The Board and the Management are responsible for overseeing the effectiveness of the risk assessment framework and risk management functions. The Management reports to the Audit Committee and the Risk Management Committee on the assessment results of the risk management framework on an annual basis.

In the Year, the Management assessed that there were no significant changes in the Group's business, and the existing risk assessment framework, methods and procedures are still applicable to the Group.

Based on the existing risk assessment framework, the Group selected the top management personnel to analyse the probability and impact of the risks and assess the existing risk management procedures through questionnaires and interviews with the management personnel.

The methods used by Management to assess the risks of the Group include: (i) establishing and maintaining a risk management framework with clearly defined roles and responsibilities; (ii) identifying and recording major risks and evaluating existing risk management procedures; (iii) analysing the probability and impact of identified risks; and (iv) reporting the results of the risk assessment, together with recommendations for enhancement of the risk management framework, to the Board or the Board Committees.

Based on to the results of the risk assessment for the Year, the Group found that, compared with last year, the ranking of 9 risk events moved into the top 20, while 5 risk events remained unchanged. These include strategic risk, financial risk, and operational risk. The Group is currently reviewing and proposing remedial actions to minimise the relevant risks.

On the other hand, 6 risk events that were identified in the top 20 of last year's risk assessment have now fallen outside the top 20 during the Year. The Group believes that the remedial actions taken have been effective in minimizing these risk events and will continue to monitor the progress of the measures being implemented.

Process used to review the effectiveness of the risk management and internal control systems

The Board, through the Audit Committee and the Risk Management Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, by considering factors including, but not limited to, (i) the changes in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment, (ii) the scope and quality of the Management's ongoing monitoring of risks and of the internal control systems, (iii) the extent and frequency of communication of monitoring results to the Board, Audit Committee and Risk Management Committee which enables them to assess risks of the Company and the effectiveness of risk management, (iv) significant control failings or weaknesses that have been identified, and (v) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance.

For the Year, the Board considered that the risk management and internal control systems are effective and adequate. No significant areas of concern were identified in relation to (i) the financial, operational and compliance controls, and risk management functions of the Group; (ii) training programmes and budget of the Company's accounting and financial report functions; and (iii) the Company's environment, social and governance reporting functions. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the Management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

Whistleblowing Policy

All staff is considered to be an informal monitor. The Group relies on each of its employees, at all levels, to monitor the quality, ethics and professionalism of the Group's business operation and the Group's standards. The Group listens to employees' concerns, considers recommendations for improving the Group's practices and controls, and provides timely communications on policy changes and other matters of the Group.

In addition, the Company establishes a whistleblowing policy, under which employees and those who deal with the Company are provided with channels to raise their concerns about possible improprieties in any matter relating to the Company without fear of reprisal or victimization, and in a responsible and effective manner. Written complaints can be lodged directly to the executive Directors. The executive Directors will then convene a meeting to decide whether and/or how to carry out any necessary investigation and, depending on the circumstances, consider to nominate investigating officer or set up a special committee to investigate the matter independently. The whistleblowing policy is available on the website of the Company. The Board has reviewed the implementation of the whistleblowing policy and considered that it had been effectively implemented during the Year.

Anti-corruption Policy

The Group is committed to promoting a culture of compliance, ethical conduct and good corporate governance within the Group. The Company prohibits all forms of corruption and is committed to preventing and investigating all forms of corruption.

The Company has adopted an anti-corruption policy to set out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption and demonstrate the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its operations. The anti-corruption policy is available on the website of the Company and subject to review by the Board and the Management as and when appropriate to ensure its continued effectiveness.

Procedure and internal controls for the handling and dissemination of inside information

The Group has no written policy on handling and dissemination of inside information but certain measures have been taken from time to time to ensure that proper safeguards exist to prevent any breach of disclosure requirement in relation to the Group. Such measures include the following:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- All employees are required to strictly adhere to the employment terms regarding the handling of confidential information.

In addition, all employees are required to strictly adhere to the rules and regulations regarding inside information. All employees who, because of his/her office or employment, are likely to be in possession of inside information in relation to the Company are required to comply with the Model Code.

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the inside information is fully disclosed to the public, the Group ensures that such information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensuring that information contained in the announcements or circulars of the Company is not false or misleading as to a material fact or by reason of the omission of a material fact, The Company also strives to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Internal audit function

The Company does not have an internal audit department. The Board has reviewed, on an annual basis, the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

INSURANCE ON DIRECTOR'S AND OFFICER'S LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, to protect the Group from any potential competition, Mr. Ho Kwok Keung, Mars, Standard Fortune Holdings Limited, Mr. Ho Kin Hung and True Worth Global Limited ("**Covenantors**") have given non-competition undertaking ("**Non-competition Undertaking**") in favour of the Company on 21 October 2014 pursuant to which each of the Covenantors has, among other matters, undertaken with the Company that each of the Covenantors will not, and will procure that its/his close associate(s) (other than the Group) not to, engage in or acquire or hold an interest in any business which competes or is likely to compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertaking have been set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition Undertaking" of the Prospectus.

The Company has received the annual declaration from each of the Covenantors in respect of their respective compliance with the terms of the Non-competition Undertaking during the Year. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, were satisfied that the Covenantors have complied with the terms of the Non-competition Undertaking during the Year.

REMUNERATION TO THE COMPANY'S AUDITORS

For the Year, the remuneration paid/payable to Moore CPA Limited, the Company's auditor, is set out below:

Services Rendered	For the year ended 31 December 2025 RMB'000
Statutory audit	2,642
Non-audit services	188
Total	2,830

Note: The non-audit services provided by the Company's auditor during the Year mainly include review of interim results.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Articles, Shareholders holding not less than one-tenth of the paid up capital of the Company have the right to convene an extraordinary general meeting at all times by written requisitions to the Board or the Company Secretary. Such meeting shall be held within 2 months after the deposit of such written requisitions.

Save for the procedures for Shareholders to convene a general meeting as set out above, there are no provisions specifying the procedures for Shareholders to put forward proposals at the general meeting under the Articles or the Companies Act of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition. The written requisition must state the objects of the meeting, and must be signed by the relevant Shareholder(s) and deposited to the Company Secretary at the Company's principal place of business in Hong Kong, Workshop 6 on 1/F., New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong.

DIVIDEND POLICY

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for the Group's future growth. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and the Company's constitutional documents. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company was adopted by a special resolution passed by the Shareholders at the 2022 annual general meeting of the Company held on 3 June 2022 and is available on the websites of the Company and the Stock Exchange. There was no change in the Company's constitutional documents during the Year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company adopted its shareholders communication policy ("**Shareholders' Communication Policy**") in October 2014 with the objective of providing the Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. The Shareholders' Communication Policy was amended on 27 September 2022 and is made available on the Company's website.

According to the Shareholders' Communication Policy, information will be communicated to Shareholders through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, notices of meeting, circulars, proxy forms ("**Corporate Communication**"); (ii) other documents issued by the Company which are published on the website of the Stock Exchange for the information or action of holders of any of its securities; (iii) constitutional documents of the Company and the Board Committees; (iv) corporate information including list of Directors; and (v) other Corporate Communication including the procedures Shareholders can use to propose a person for election as a Director on the Company's website. Corporate Communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Shareholders and public investors may direct their enquiries to the Company Secretary, by post at Workshop 6 on 1/F., New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong, by facsimile or via email at the contact information as provided on the website of the Company.

The general meetings of the Company provide one of the primary forums for communication with the Shareholders and for their participation. Such meetings provide Shareholders with the opportunity to share their views and to meet the Board. Question and answer sessions at general meetings foster constructive dialogues between the Shareholders and the Board members. Directors are available at general meetings to facilitate constructive engagement and to understand the views of the Shareholders on matters affecting the Company.

The Board has reviewed the Shareholders' Communication Policy in light of the above and considered that it had been effectively implemented during the Year.

On behalf of the Board

Ho Kwok Keung, Mars
Chairman

26 March 2026

INDEPENDENT AUDITOR'S REPORT



Moore CPA Limited

1001-1010, North Tower, World Finance Centre,
Harbour City, 19 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

大華馬施雲會計師事務所有限公司

香港九龍尖沙咀廣東道19號
海港城環球金融中心北座1001-1010室

T +852 2375 3180
F +852 2375 3828

www.moore.hk

TO THE SHAREHOLDERS OF AUSTAR LIFESCIENCES LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Austar Lifesciences Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 85 to 190, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respect, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “**IASB**”) 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 International Standards on Auditing (“**ISAs**”). 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 International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (the “**IESBA Code**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue from integrated engineering solutions contracts</p>	
<p>We identified the recognition of revenue over time arising from the Group's integrated engineering solutions contracts as a key audit matter due to the use of estimates by management assessment in determining the contract revenue for each engineering solutions contract in progress.</p> <p>During the year ended 31 December 2025, revenue of RMB1,057,996,000 was recognised from integrated engineering solutions contracts.</p> <p>The Group recognised contract revenue of integrated engineering solutions contracts by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, as set out in Notes 3 and 4 to the consolidated financial statements. The recognition of revenue therefore relies on the management's estimation of the progress and outcome of the project, which involves the exercise of significant management estimation, particularly in estimating the budgeted engineering service costs, which are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management.</p>	<p>Our procedures in relation to recognition of revenue from integrated engineering solutions contracts included:</p> <ul style="list-style-type: none"> • Understanding key controls on how management estimates the contract revenue, contract cost and gross profit margin, and determination of completion status of the engineering solutions contracts; • Checking the accuracy of the contract sum to signed contract and/or other relevant correspondences (and variation orders, if any), on a sample basis; • Discussing with the management to understand the status of completion of significant projects during the year, on a sample basis, to obtain explanations for fluctuation in gross profit margin and changes in the budgeted cost, if any; • Evaluating the reasonableness of the estimated total budgeted costs of significant projects by checking against agreements, price quotations or other correspondences provided by subcontractors, suppliers or vendors involved and rate of labour costs, on a sample basis;

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue from integrated engineering solutions contracts (Continued)</p>	
<p>In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred and changes in certain circumstances of the projects.</p>	<ul style="list-style-type: none"> • Evaluating the reasonableness of the estimated profit margins of significant projects, on a sample basis, taking into account of the complexity and duration of the projects and margins of similar completed projects; • Evaluating the accuracy of costs incurred to date and stage of completion by checking the supporting documents including breakdown of the costs incurred, subcontractors, suppliers or vendors' correspondences or documents issued before and subsequent to year end date to evaluate progress of respective projects, on a sample basis; • Assessing the accuracy of revenue recognised for the year by recalculating the revenue based on the percentage of completion of the contract by using the input method; and • Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit losses (“ECLs”) of trade receivables and contract assets</p>	
<p>As at 31 December 2025, the gross amounts of trade receivables and contract assets are approximately RMB361,736,000 and RMB649,668,000, respectively, where cumulative allowance for ECLs totalling RMB66,226,000 was made for trade receivables and contract assets in aggregate.</p> <p>Allowances for ECLs on trade receivables and contract assets were made based on an assessment of the ECLs, which include an assessment of the risk of default and the expected credit loss rate.</p> <p>Trade receivables and contract assets relating to customers with known financial difficulties or significant doubt on collection of trade receivables and contract assets are assessed individually and provided for ECLs. ECLs are also estimated by grouping the remaining trade receivables and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery by taking into account their historical credit losses, as well as the prevailing market conditions. Both current economic conditions and forward looking information were also taken into consideration by management of the Group in the estimation such as changes in macroeconomic conditions and industry trends, where appropriate.</p>	<p>Our procedures in relation to assessment of ECLs of trade receivables and contract assets included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of management of the Group’s internal control and assessment process for the estimation of allowances for ECLs on trade receivables and contract assets; • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluating, and testing key controls related to assessment of the ECLs of trade receivables and contract assets performed by management of the Group; • Evaluating the competence, capabilities and objectivity of the external valuation specialists appointed by management of the Group;

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (“ECLs”) of trade receivables and contract assets (Continued)	
<p>We focused on auditing the assessment of ECLs of trade receivables and contract assets prepared by management of the Group because the balances of trade receivables and contract assets were significant, and the estimation of impairment allowance was subject to high degree of estimation uncertainty. The inherent risk in relation to the allowances for ECLs on trade receivables and contract assets is considered significant due to complexity of the model and subjectivity of assumptions used. Therefore, we have identified the ECLs of trade receivables and contract assets as a key audit matter.</p>	<ul style="list-style-type: none"> • For ECLs specifically provided against individual customers, <ul style="list-style-type: none"> – discussing with management of the Group to understand the detailed circumstances and basis of provision on specific customers, such as credit-related information, and historical repayment record; and – obtaining management of the Group’s assessments and reviewing the evidence available to us, including background information of customers, past transaction history, historical repayment record and forward-looking information.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (“ECLs”) of trade receivables and contract assets (Continued)	<ul style="list-style-type: none"> • For ECLs based on shared credit risk characteristics provided for trade receivables and contract assets, <ul style="list-style-type: none"> – discussing with management of the Group to evaluate the appropriateness of the model of estimating lifetime ECLs used by management of the Group, which include historical settlement record and ageing profile, with the assistance of our internal valuation specialists; – evaluating adjustment to the historical loss rates based on past events, current economic conditions and forward-looking information, with the assistance of our internal valuation specialists; – testing, on sample basis, the accuracy of ageing analysis of trade receivables prepared by management of the Group; and – checking the arithmetic calculations of the ECLs.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

Moore CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

Lai Hung Wai

Practising Certificate Number: P06995

Hong Kong, 26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	4	1,530,672	1,500,402
Cost of sales	4, 5	(1,237,401)	(1,199,185)
Gross profit		293,271	301,217
Selling and marketing expenses	5	(139,607)	(131,851)
Administrative expenses	5	(85,382)	(107,225)
Net impairment gains/(losses) on financial assets and contract assets	32.1(b)	3,670	(3,389)
Research and development expenses	5	(45,072)	(53,549)
Other income	6	12,308	27,548
Other gains – net	7	14,963	2,430
Operating profit		54,151	35,181
Finance income	8	1,461	2,895
Finance costs	8	(12,114)	(17,202)
Finance costs – net		(10,653)	(14,307)
Share of net profit of investments accounted for using the equity method	16	4,628	298
Profit before income tax		48,126	21,172
Income tax expense	9	(15,246)	(7,600)
Profit for the year		32,880	13,572
Profit for the year attributable to owners of the Company		33,805	16,079
Loss for the year attributable to non-controlling interests		(925)	(2,507)
Profit for the year		32,880	13,572
EARNINGS PER SHARE	12		
– Basic and diluted (RMB)		0.07	0.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

Note	2025 RMB'000	2024 RMB'000
Profit for the year	32,880	13,572
Other comprehensive (expense)/income		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	(10,972)	9,521
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	4,054	(5,408)
Reclassification of cumulative translation reserve upon deemed disposal of an investment accounted for using the equity method	–	405
Transfer upon deregistration of subsidiaries	–	(21)
Share of other comprehensive income/(expense) of investments accounted for using the equity method	1,219	(1,524)
16		
	5,273	(6,548)
Other comprehensive (expense)/income for the year, net of tax	(5,699)	2,973
Total comprehensive income for the year	27,181	16,545
Total comprehensive income/(expense) attributable to:		
– owners of the Company	28,014	18,396
– non-controlling interests	(833)	(1,851)
	27,181	16,545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	305,214	310,085
Right-of-use assets	14	87,608	104,041
Intangible assets	15	40,392	42,298
Deferred tax assets	28	12,382	15,169
Investments accounted for using the equity method	16	66,585	60,281
Pledged bank deposits	21	311	–
Rental deposits	20	1,801	–
Total non-current assets		514,293	531,874
Current assets			
Inventories	17	279,653	238,425
Contract assets	18	628,180	562,477
Trade and notes receivables	19	351,646	424,534
Prepayments and other receivables	20	77,760	119,652
Pledged bank deposits	21	49,077	38,868
Term deposits with initial terms of over three months	21	–	1,000
Cash and cash equivalents	21	227,394	166,805
Total current assets		1,613,710	1,551,761
Total assets		2,128,003	2,083,635
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	4,071	4,071
Reserves		451,887	448,446
Retained earnings		366,587	338,892
Non-controlling interests		822,545	791,409
		1,540	2,059
Total equity		824,085	793,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	10,259	31,197
Long-term borrowings	24	63,225	25,142
Deferred income	26	470	135
Deferred tax liabilities	28	41,890	40,181
Other financial liabilities	27	–	4,826
Total non-current liabilities		115,844	101,481
Current liabilities			
Trade and other payables	23	653,841	639,271
Contract liabilities	18	260,343	202,263
Current income tax liabilities		3,699	1,540
Short-term borrowings	25	237,618	229,750
Current portion of long-term borrowings	24	20,781	98,884
Lease liabilities	14	11,792	16,978
Total current liabilities		1,188,074	1,188,686
Total liabilities		1,303,918	1,290,167
Total equity and liabilities		2,128,003	2,083,635

The consolidated financial statements on pages 85 to 190 were approved and authorised for issue by the Board of Directors on 26 March 2026 and were signed on its behalf by:

Mr. Ho Kwok Keung, Mars
Executive Director

Madam Zhou Ning
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Note	Share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000	Subtotal RMB'000		
Balance at 1 January 2024		4,071	314,009	25,545	-	385,294	44,094	773,013	2,460	775,473
Comprehensive income/(expense)										
Profit/(loss) for the year		-	-	-	-	16,079	-	16,079	(2,507)	13,572
Other comprehensive income/ (expense)										
Exchange differences on translation from functional currency to presentation currency		-	-	-	-	-	9,521	9,521	-	9,521
Exchange differences arising on translation of foreign operations		-	-	-	-	-	(6,064)	(6,064)	656	(5,408)
Reclassification of cumulative translation reserve upon deemed disposal of an investment accounted for using the equity method		-	-	-	-	-	405	405	-	405
Transfer upon deregistration of subsidiaries		-	-	-	-	-	(21)	(21)	-	(21)
Share of other comprehensive expense of investments accounted for using the equity method	16	-	-	-	-	-	(1,524)	(1,524)	-	(1,524)
Total comprehensive income/(expense)		-	-	-	-	16,079	2,317	18,396	(1,851)	16,545
Transfer		-	-	-	62,481	(62,481)	-	-	-	-
Transactions with owners, recognised directly in equity										
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	1,450	1,450
Total transactions with owners, recognised directly in equity		-	-	-	-	-	-	-	1,450	1,450
Balance at 31 December 2024		4,071	314,009	25,545	62,481	338,892	46,411	791,409	2,059	793,468

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Note	Attributable to owners of the Company						Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000			
Balance at 1 January 2025		4,071	314,009	25,545	62,481	338,892	46,411	791,409	2,059	793,468
Comprehensive income/(expense)										
Profit/(loss) for the year		-	-	-	-	33,805	-	33,805	(925)	32,880
Other comprehensive (expense)/ income										
Exchange differences on translation from functional currency to presentation currency		-	-	-	-	-	(10,972)	(10,972)	-	(10,972)
Exchange differences arising on translation of foreign operations		-	-	-	-	-	3,962	3,962	92	4,054
Share of other comprehensive income of investments accounted for using the equity method	16	-	-	-	-	-	1,219	1,219	-	1,219
Total comprehensive income/(expense)		-	-	-	-	33,805	(5,791)	28,014	(833)	27,181
Transfer		-	-	-	6,110	(6,110)	-	-	-	-
Transactions with owners, recognised directly in equity										
Acquisition of additional interest in a subsidiary (Note 27)		-	-	3,122	-	-	-	3,122	314	3,436
Total transactions with owners, recognised directly in equity		-	-	3,122	-	-	-	3,122	314	3,436
Balance at 31 December 2025		4,071	314,009	28,667	68,591	366,587	40,620	822,545	1,540	824,085

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	138,241	102,786
Income taxes paid		(7,598)	(6,876)
Interest received		1,461	2,895
Net cash from operating activities		132,104	98,805
Cash flows from investing activities			
Placement of term deposits with initial terms of over three months		(1,000)	(1,000)
Redemption of term deposits with initial terms of over three months		2,000	10,000
Dividend received from an associate		1,000	1,200
Payment for property, plant and equipment		(23,104)	(20,491)
Payment for land use right classified as right-of-use assets		(6,158)	–
Payment for intangible assets		(444)	(2,592)
Proceeds from disposal of property, plant and equipment		232	2,067
Proceeds from disposal of land use right classified as right-of-use assets		14,522	12,426
Net cash inflow on acquisition of a subsidiary	38	–	2,820
Net cash (used in)/from investing activities		(12,952)	4,430
Cash flows from financing activities			
Interest paid		(11,977)	(17,147)
New borrowings raised	33(b)	389,730	303,138
Repayments of borrowings	33(b)	(421,882)	(380,043)
Principal elements of lease payments	33(b)	(11,741)	(7,521)
Acquisition of partial interest of a subsidiary	27	(2,038)	–
Capital contributions from non-controlling interests		–	250
Net cash used in financing activities		(57,908)	(101,323)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	21	166,805	163,765
Exchange (losses)/gains on cash and cash equivalents		(655)	1,128
Cash and cash equivalents at end of year	21	227,394	166,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability. 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 is an investment holding company and its subsidiaries are principally engaged in providing integrated engineering solutions to pharmaceutical manufacturers and research institutes, as well as manufacturing and distribution of pharmaceutical equipment and consumables in the People's Republic of China (the "**PRC**"). The ultimate holding company of the Company is Standard Fortune Holdings Limited, a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly owned by Mr. Ho Kwok Keung, Mars ("**Mr. Mars Ho**", also the "**Controlling Shareholder**"), Chairman of the Board and the Chief Executive Officer of the Company (the "**Chief Executive Officer**").

Ordinary shares of HK\$0.01 each in the share capital of the Company ("**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 7 November 2014.

Certain comparative figures have been re-presented to conform with current year's presentation. These reclassifications have no effect on financial position, results for the year or cash flows of the Group.

The consolidated financial statements are presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and are approved for issue by the Board on 26 March 2026.

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

2.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.2 Application of new and amendments to IFRS Accounting Standards

(a) *Amendments to an IFRS Accounting Standard that are mandatorily effective for the current year*

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

Amendments to IAS 21	Lack of Exchangeability
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The application of the amendments to an IFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) *New and amendments to IFRS Accounting Standards in issue but not yet effective*

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

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

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.2 Application of new and amendments to IFRS Accounting Standards

(Continued)

(b) *New and amendments to IFRS Accounting Standards in issue but not yet effective* (Continued)

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

IFRS 18 "Presentation and Disclosure in Financial Statements"

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

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

2.3 Principles of consolidation and equity accounting

(a) *Subsidiaries*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(a) *Subsidiaries* (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost (see (d) below). Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

(c) *Joint arrangements*

Under IFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(d) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(e) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2.4 Business combinations

The cost of a combination is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business, the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.4 Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired as a bargain purchase, the difference is recognised directly in profit or loss.

2.5 Separate financial statements

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

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers ("CODMs"). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief executive officer, vice presidents and directors of the Company.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency, and the Company's functional currency is Hong Kong dollar ("HK\$").

The consolidated financial statements are presented in RMB, which is different from the Company's functional currency of HK\$. The consolidated financial statements are presented in RMB, as the major operations of the Group's principal subsidiaries are principally conducted in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.7 Foreign currency translation (Continued)

(b) Transactions and balances

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.7 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.8 Property, plant and equipment (Continued)

Construction in progress is stated at cost, including the costs of construction, machinery and other expenditures for the purpose of preparing the construction-in-progress for its intended use and borrowing costs incurred before the assets ready for intended use that are eligible for capitalisation. Construction in progress is not depreciated until the asset is completed and ready for its intended use.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20 years
Machinery	5–10 years
Vehicles	5 years
Others	3–5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.9 Intangible assets

Intangible assets mainly represent computer software, unpatented technologies and patents.

(a) *Computer software*

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years.

(b) *Unpatented technologies*

Acquired unpatented technologies are capitalised on the basis of the costs incurred to acquire and bring to use the specific technologies. These costs are amortised over their estimated useful lives of 15 years using the straight-line method which reflects the pattern in which the intangible assets future economic benefits are expected to be consumed.

(c) *Patents*

Acquired patents are capitalised on the basis of the costs incurred to acquire and bring to use the specific technologies. These costs are amortised over their estimated useful lives of 10 years using the straight-line method which reflects the pattern in which the intangible assets future economic benefits are expected to be consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.10 Research and development

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

- (i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) management intends to complete the intangible asset and use or sell it;
- (iii) there is an ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over its useful life.

2.11 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“**OCI**”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Management determines the classification of its financial assets at initial recognition.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVTPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

(Continued)

2.12 Financial assets (Continued)

2.12.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in profit or loss.
- **Fair value through other comprehensive income ("FVTOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in profit or loss.

2.12.4 Impairment

The Group assesses on a forward looking basis the expected credit loss ("**ECL**") with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach to measure ECLs, which uses a lifetime ECL allowance to be recognised from initial recognition of all trade receivables and contract assets, further details are set out in Note 32.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 “Financial Instruments” (“**IFRS 9**”) and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers”.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Net realisable value is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.16 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For further information about the Group's accounting for trade receivables and a description of the Group's impairment policies are set out in Notes 19 and Note 32.1, respectively.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Statutory reserve

As stipulated by the relevant laws in the PRC, the PRC subsidiaries are required to maintain a statutory reserve fund. The minimum transfer to statutory reserve is 10% of profit after tax of the PRC subsidiaries according to the PRC subsidiaries' statutory financial statements. No appropriation is required if the balance of the statutory reserve has reached 50% of the registered capital of the relevant PRC subsidiaries. The statutory reserve can be used to make up losses or for conversion into capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

2.21 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of consolidated statement of financial position.

2.22 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.23 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

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

(b) *Deferred tax*

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.23 Taxation (Continued)

(b) *Deferred tax* (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(c) *Offsetting*

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

2.24 Employee benefits

Liabilities for wages and salaries are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service and are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities – trade and other payables in the consolidated statement of financial position.

Pension and social obligations

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised and allocated to related cost of assets and expenses based on different beneficiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.24 Employee benefits (Continued)

All Chinese employees of the Group participate in other employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling. Contributions to the plans are recorded as production costs or expensed as incurred.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

There were no forfeited contributions under the defined contribution scheme above and no forfeited contribution is available to reduce the contribution in future years.

2.25 Provisions

Provisions for legal claim product and service warranties are recognised when the Group has a present constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.26 Revenue recognition

Revenue is measured at the transaction price agreed under the contract and is shown after eliminating sales within the Group. The Group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer to determine the transaction price.

Revenues are recognised when or as the control of the asset is transferred to the customer and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Revenue from integrated engineering solutions contracts*

Revenues are recognised when or as the control of the asset is transferred to the customer. Control of the asset for system engineering contracts is transferred over time as the Group's performance creates and enhances an asset that the customer controls as the Group performs. Revenue from system engineering contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation by input method. Expected losses are fully provided on contracts when identified.

(b) *Revenue from sale of goods*

Revenue from sale of goods is recognised when control of the products has been transferred, being when the products are delivered to the customer. The control of the products refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the products.

(c) *Revenue from services rendered*

Revenue for services rendered including technique development, design, consultation and supervision services, is recognised over the period of rendering services by the progress towards complete satisfaction of that performance obligation and when it is probable that the economic benefits associated with the transaction will flow to the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.27 Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.28 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets, including land use rights, are measured at cost comprising the following:

- the amounts of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group presents right-of-use assets and lease liabilities as separate line items on the consolidated statement of financial position respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(Continued)

2.28 Leases (Continued)

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

3. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade receivables and contract assets

The loss allowances for trade receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 32.

As at 31 December 2025, the gross amounts of trade receivables and contract assets are RMB361,736,000 and RMB649,668,000 (2024: RMB431,813,000 and RMB581,050,000), respectively, where cumulative allowance for ECLs totalling RMB66,226,000 (2024: RMB69,022,000) was made for trade receivables and contract assets in aggregate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Revenue from integrated engineering solutions contracts recognised over time

The Group recognised revenue from integrated engineering solutions contracts, over time by reference to the progress towards complete satisfaction of performance obligations. It requires estimations by management of the Group because of the nature of the performance obligations in contracts with customers, customers control the asset as it is created and enhanced by the Group or receive the benefits of the Group's performance as the Group performs and simultaneously consume those benefits over the period of the contract. Management of the Group regularly reviews the proportion of contract costs incurred for work performed to date to estimated stage of completion of the performance obligations of specific transactions. If circumstances arise that may change the original estimates of transaction price, costs or extent of performance obligation satisfaction, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management of the Group.

During the year ended 31 December 2025, revenue of RMB1,057,996,000 (2024: RMB1,038,332,000) was recognised from integrated engineering solutions contracts.

(c) Write-down of inventories

Inventories are reviewed for write-down whenever events or changes in circumstances cause their carrying amounts to exceed their net realisable value. The determination of net realisable value of the inventories requires the use of estimates by reference to the subsequent selling costs, estimated costs to completion and costs necessary to make the sale. The Group's management determined estimated net realisable value of inventories.

During the year ended 31 December 2025, write-down of inventories of RMB5,102,000 (2024: RMB5,248,000) was charged to profit or loss. As at 31 December 2025, the carrying amount of the Group's inventories is RMB279,653,000 (2024: RMB238,425,000).

(d) Income taxes and deferred tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax expense in the period in which such determination is made. In addition, the realisation of deferred tax assets is dependent on the Group's ability to generate sufficient taxable profit in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or changes in the income tax rate would result in adjustments to the value of future tax assets and liabilities that could have a significant effect on the income tax expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Income taxes and deferred tax (Continued)

As at 31 December 2025, the carrying amounts of deferred tax assets and deferred tax liabilities are RMB12,382,000 and RMB41,890,000 (2024: RMB15,169,000 and RMB40,181,000), respectively.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2025

	Integrated Process and Packaging Equipment & Systems RMB'000	Consulting, Digitalization and Construction RMB'000	Life Science Equipment and Consumables RMB'000	Total RMB'000
Types of goods or services				
Revenue from integrated engineering solutions contracts	707,145	345,554	5,297	1,057,996
Revenue from sale of goods	49,848	42,178	295,933	387,959
Revenue from services rendered	37,206	44,738	2,773	84,717
Total	794,199	432,470	304,003	1,530,672
Timing of revenue recognition				
Recognised at a point in time	87,054	86,916	298,706	472,676
Recognised over time	707,145	345,554	5,297	1,057,996
Total	794,199	432,470	304,003	1,530,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2024

	Integrated Process and Packaging Equipment & Systems RMB'000	Consulting, Digitalization and Construction RMB'000	Life Science Equipment and Consumables RMB'000	Total RMB'000
Types of goods or services				
Revenue from integrated engineering solutions contracts	569,304	454,736	14,292	1,038,332
Revenue from sale of goods	35,790	32,998	313,476	382,264
Revenue from services rendered	50,111	28,080	1,615	79,806
Total	655,205	515,814	329,383	1,500,402
Timing of revenue recognition				
Recognised at a point in time	85,901	61,078	315,091	462,070
Recognised over time	569,304	454,736	14,292	1,038,332
Total	655,205	515,814	329,383	1,500,402

Segment information

The CODMs have been identified as the Chief Executive Officer, the vice presidents and the directors of the Company who review the Group's internal reports in order to assess performance and allocate resources.

The CODMs consider the business primarily from a product and service perspective. The Group has three reportable segments: (1) Integrated Process and Packaging Equipment & Systems; (2) Consulting, Digitalization and Construction; and (3) Life Science Equipment and Consumables.

The CODMs evaluate the performance of the reportable segments based on gross profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2025 are as follows:

	Integrated Process and Packaging Equipment & Systems RMB'000	Consulting, Digitalization and Construction RMB'000	Life Science Equipment and Consumables RMB'000	Total RMB'000
Segment revenue and results				
Segment revenue	1,006,384	509,578	329,645	1,845,607
Inter-segment revenue	(212,185)	(77,108)	(25,642)	(314,935)
Revenue	794,199	432,470	304,003	1,530,672
Cost of sales	(703,146)	(351,230)	(183,025)	(1,237,401)
Segment results				
Gross profit	91,053	81,240	120,978	293,271
Other segment items				
Amortisation	4,204	3,294	51	7,549
Depreciation	23,651	8,437	9,544	41,632
Provision for/(reversal of) impairment losses on financial assets and contract assets	1,724	(4,778)	(616)	(3,670)
Write-down of inventories	213	689	4,200	5,102
Share of net profit of investments accounted for using the equity method	(4,628)	–	–	(4,628)
Finance costs	6,425	4,740	949	12,114
Interest income	(756)	(560)	(145)	(1,461)
Loss on disposal of property, plant and equipment	91	19	61	171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2024 are as follows:

	Integrated Process and Packaging Equipment & Systems RMB'000	Consulting, Digitalization and Construction RMB'000	Life Science Equipment and Consumables RMB'000	Total RMB'000
Segment revenue and results				
Segment revenue	821,327	611,418	346,162	1,778,907
Inter-segment revenue	(166,122)	(95,604)	(16,779)	(278,505)
Revenue	655,205	515,814	329,383	1,500,402
Cost of sales	(562,371)	(436,193)	(200,621)	(1,199,185)
Segment results				
Gross profit	92,834	79,621	128,762	301,217
Other segment items				
Amortisation	3,260	3,377	605	7,242
Depreciation	26,648	9,201	10,015	45,864
Provision for/(reversal of) impairment losses on financial assets and contract assets	6,586	(3,141)	(56)	3,389
Write-down of inventories	2,831	958	1,459	5,248
Share of net profit of investments accounted for using the equity method	(298)	–	–	(298)
Finance costs	10,169	5,377	1,656	17,202
Interest income	(1,190)	(1,101)	(604)	(2,895)
Loss/(gain) on disposal of property, plant and equipment	176	(13)	34	197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

A reconciliation of segment gross profit to total profit before income tax is provided as follows:

	2025 RMB'000	2024 RMB'000
Integrated Process and Packaging Equipment & Systems	91,053	92,834
Consulting, Digitalization and Construction	81,240	79,621
Life Science Equipment and Consumables	120,978	128,762
Total gross profit for reportable segments	293,271	301,217
Selling and marketing expenses	(139,607)	(131,851)
Administrative expenses	(85,382)	(107,225)
Net impairment gains/(losses) on financial assets and contract assets	3,670	(3,389)
Research and development expenses	(45,072)	(53,549)
Other income	12,308	27,548
Other gains – net	14,963	2,430
Finance costs – net	(10,653)	(14,307)
Share of net profit of investments accounted for using the equity method	4,628	298
Profit before income tax	48,126	21,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 31 December 2025 and 2024 are as follows:

	2025		2024	
	Total assets RMB'000	Investments accounted for using the equity method RMB'000	Total assets RMB'000	Investments accounted for using the equity method RMB'000
Integrated Process and Packaging Equipment & Systems	1,185,891	66,585	1,143,870	60,281
Consulting, Digitalization and Construction	513,831	–	502,916	–
Life Science Equipment and Consumables	247,646	–	218,154	–
Total segment assets	1,947,368	66,585	1,864,940	60,281
Unallocated:				
Deferred tax assets	12,382		15,169	
Headquarter assets	168,253		203,526	
Total assets	2,128,003		2,083,635	

All assets are allocated to operating segments other than deferred tax assets and headquarter assets. Assets used jointly by operating segments are allocated on the basis of the revenue earned by individual operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

The Group's borrowings are not considered to be segment liabilities, but are managed by the treasury function.

	2025	2024
	Total liabilities	Total liabilities
	RMB'000	RMB'000
Integrated Process and Packaging Equipment & Systems	479,357	471,044
Consulting, Digitalization and Construction	322,628	252,807
Life Science Equipment and Consumables	108,899	96,529
Total segment liabilities	910,884	820,380
Unallocated:		
Deferred tax liabilities	41,890	40,181
Short-term borrowings	237,618	229,750
Long-term borrowings	63,225	25,142
Current portion of long-term borrowings	20,781	98,884
Headquarter liabilities	29,520	75,830
Total liabilities	1,303,918	1,290,167

All liabilities are allocated to operating segments other than deferred tax liabilities, short-term borrowings, long-term borrowings, current portion of long-term borrowings and headquarter liabilities. Liabilities used jointly by operating segments are allocated on the basis of the revenue earned by individual operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the country in which the customer is located, and certain assets are based on country where the assets are located.

	2025	2024
	RMB'000	RMB'000
Revenue		
Mainland China	1,334,665	1,333,487
Other regions outside mainland China and other countries	196,007	166,915
	1,530,672	1,500,402

	2025	2024
	RMB'000	RMB'000
Non-current assets other than financial assets and deferred tax assets		
Mainland China	473,679	492,111
Other regions outside mainland China and other countries	26,120	24,594
	499,799	516,705

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2025	2024
	RMB'000	RMB'000
Customer A ¹	169,893	N/A ²

¹ Revenue from Integrated Process and Packaging Equipment & Systems and Consulting, Digitalization and Construction.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2024.

* No single customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. EXPENSES BY NATURE

	2025 RMB'000	2024 RMB'000
Raw materials used	823,990	738,226
On-site subcontract fee	87,167	110,337
Technical service fee	31,986	30,149
Staff costs, including directors' emoluments (Note 10)	368,315	402,632
Depreciation		
– Property, plant and equipment (Note 13)	28,309	28,694
– Right-of-use assets (Note 14)	13,323	17,170
Amortisation (Note 15)	7,549	7,242
Travel expenses	40,780	34,825
Freight and port charges	23,977	28,280
Professional fee	5,442	6,885
Sales tax and surcharges	11,615	9,835
Warranty provision	4,874	5,821
Office expenses	11,138	13,417
Business entertainment expenses	8,524	11,672
Write-down of inventories	5,102	5,248
Promotion expenses	7,825	6,553
Auditors' remuneration		
– Audit service		
– Moore CPA Limited	2,642	2,780
– Other auditors	362	378
– Non-audit service		
– Moore CPA Limited	188	188
Repair and maintenance	3,838	3,539
Human resources management expenses	1,560	1,512
Labour productive cost	1,333	2,025
Bank charges	1,346	1,760
Communication expenses	830	1,507
Renovation expenses	2,532	2,424
Convention service expenses	153	722
Property management fee	669	142
Other operating expenses	12,093	17,847
	1,507,462	1,491,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants		
– In relation to compensation for expenses or losses already incurred (Note (a))	8,603	13,368
– In relation to deferred income (Notes (b) and 26)	1,900	206
– In relation to compensation for land use right (Note 20(d))	–	13,974
Rental income	1,805	–
	12,308	27,548

Notes:

- (a) There are no unfulfilled conditions or other contingencies attaching to these grants.
- (b) The conditions and contingencies attaching to these grants have been fulfilled during the year ended 31 December 2025 and these grants were recognised as other income.

7. OTHER GAINS – NET

	2025 RMB'000	2024 RMB'000
Exchange gains/(losses), net	8,735	(4,096)
Gain on early termination of lease contracts	2,788	1,060
Loss on disposal of intangible assets	(300)	–
Loss on disposal of property, plant and equipment	(171)	(197)
Loss on derecognition of a joint venture (Note 16)	–	(423)
Gain on bargain purchase on acquisition of a subsidiary (Note 38)	–	4,066
Others	3,911	2,020
	14,963	2,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. FINANCE COSTS – NET

	2025 RMB'000	2024 RMB'000
Finance costs		
– Bank borrowings	(10,639)	(14,365)
– Lease liabilities (Note 14(b))	(1,312)	(2,649)
– Other financial liabilities	(163)	(188)
	(12,114)	(17,202)
Finance income		
– Bank deposits	1,461	2,895
	1,461	2,895
	(10,653)	(14,307)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current income tax expense		
– PRC corporate income tax	8,300	3,768
– Hong Kong and overseas profits tax	44	548
	8,344	4,316
Underprovision/(overprovision) in prior years		
– PRC corporate income tax	1,381	(221)
– Hong Kong and overseas profits tax	32	–
	1,413	(221)
Deferred tax expense (Note 28)	5,489	3,505
	15,246	7,600

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and, accordingly, is exempted from local income tax.

The Group's subsidiaries incorporated in the BVI under the International Business Companies Acts or, as the case may be, BVI Business Companies Act are exempted from local income tax.

The taxation of the Group's subsidiaries in Hong Kong is calculated at 16.5% of the estimated assessable profits for the year (2024: 16.5%), except for a subsidiary of the Group in Hong Kong which is a qualifying entity applicable to the two-tiered profits tax rates. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK\$2 million of assessable profits will be lowered to 8.25%, and assessable profits above HK\$2 million will continue to be subject to the rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. INCOME TAX EXPENSE (Continued)

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shanghai Austar Pharmaceutical Technology Equipment Ltd. ("Shanghai Austar"), Austar Pharmaceutical Equipment (Shijiazhuang) Ltd. ("Austar SJZ"), and Austar Hansen Lifesciences (Shanghai) Ltd. ("Austar Hansen") are high and new technology enterprises certified by relevant local authorities in the PRC. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Austar SJZ has been enjoying preferential corporate income tax rate since 2015 and renewed its "High and New Technology Enterprise" qualification for another three years in 2024. Austar Hansen has been enjoying preferential corporate income tax rate since 2013 and renewed its "High and New Technology Enterprise" qualification for another three years in 2025. Shanghai Austar has been enjoying preferential corporate income tax rate since 2013 and renewed its "High and New Technology Enterprise" qualification for another three years in 2022.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2025 RMB'000	2024 RMB'000
Profit before income tax	48,126	21,172
Tax expense calculated at applicable statutory tax rate	12,439	5,519
Impact of preferential corporate income tax rates	(7,989)	(5,800)
Tax effect of income not taxable for tax purpose	(4,453)	(3,952)
Tax effect of expenses not deductible for tax purpose	4,884	8,301
Tax effect of tax losses not recognised as deferred tax assets	12,603	9,579
Tax effect of other deductible temporary differences not recognised as deferred tax assets	870	1,674
Utilisation of deductible temporary differences previously not recognised	(1,418)	(2,149)
Utilisation of tax losses previously not recognised	(38)	(1,666)
Research and development tax credit	(4,882)	(5,668)
Withholding tax on dividend	2,701	2,002
Underprovision/(overprovision) in prior years	1,413	(221)
Tax effect of share of profit of investments accounted for using the equity method	(884)	(19)
Income tax expense	15,246	7,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2025 RMB'000	2024 RMB'000
Salaries and bonuses	293,052	319,464
Pension and social obligations	75,263	83,168
	368,315	402,632

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were as follows:

	2025	2024
Directors (Note)	2	2
Non-director individuals	3	3
	5	5

Note: Mr. Bian Ce, who has been a member of the senior management, was appointed as an executive director with effect from 26 August 2025. The aggregate emoluments for his services as a senior management and an executive director were among the five highest paid individuals for the year ended 31 December 2025.

The Directors' emoluments were reflected in the analysis presented in Note 10(b). The emoluments payable to the remaining individuals were as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries and allowances	3,628	3,144
Discretionary bonuses	80	–
Other benefits including pension	437	450
	4,145	3,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Five highest paid individuals (Continued)

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2025	2024
Emolument bands HK\$1,000,001–HK\$1,500,000 (Equivalent to RMB900,001–RMB1,350,000)	3	3
	3	3

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to these five highest paid individuals and the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' and chief executive's emoluments

The remuneration of every director of the Company and the chief executive is set out below:

For the year ended 31 December 2025

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme	Other RMB'000	Total RMB'000
				RMB'000		
Executive Directors						
Ho Kwok Keung, Mars	-	768	-	16	-	784
Ho Kin Hung	-	1,658	-	16	3	1,677
Chen Yuewu (Note (ii))	-	599	-	65	5	669
Zhou Ning	-	599	-	164	8	771
Bian Ce (Note (i))	-	316	-	55	3	374
Non-Executive Director						
Ji Lingling	485	-	-	-	-	485
Independent Non-Executive Directors						
Chiu Hoi Shan	162	-	-	-	-	162
Cheung Lap Kei	162	-	-	-	-	162
Leung Oi Kin	162	-	-	-	-	162
Total	971	3,940	-	316	19	5,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2024

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other RMB'000	Total RMB'000
Executive Directors						
Ho Kwok Keung, Mars	–	922	–	16	–	938
Ho Kin Hung	–	2,017	–	16	3	2,036
Chen Yuewu (Note (ii))	–	1,027	–	115	8	1,150
Zhou Ning	–	776	–	160	8	944
Non-Executive Director						
Ji Lingling	529	–	–	–	–	529
Independent Non-Executive Directors						
Chiu Hoi Shan	164	–	–	–	–	164
Cheung Lap Kei	164	–	–	–	–	164
Leung Oi Kin	164	–	–	–	–	164
Total	1,021	4,742	–	307	19	6,089

Notes:

- (i) Mr. Bian Ce was appointed as an executive director of the Company with effect from 26 August 2025. The director's remuneration stated in the table above is for his services as an executive director from 26 August 2025 to 31 December 2025. Prior to his appointment as an executive director, his remuneration (including salary, employer's contribution to a retirement benefit scheme and other benefits) as a senior management member for the period from 1 January 2025 to 25 August 2025 was approximately RMB746,000.
- (ii) Mr. Chen Yuewu resigned as an executive director of the Company with effect from 26 August 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Directors' retirement benefits

During the year ended 31 December 2025, retirement benefits of RMB316,000 (2024: RMB307,000) operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his/her services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2025 (2024: Nil).

(d) Directors' termination benefits

During the year ended 31 December 2025, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2024: Nil).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2025, no consideration was provided to or receivable by third parties for making available director's services (2024: Nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors of the Company or of its holding company, their controlled bodies corporate or their connected entities (2024: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year (2024: Nil).

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

(i) The non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIVIDENDS

The Board did not propose any final dividend for the year ended 31 December 2025 (2024: Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the basic and diluted earnings per share is based on the following:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	33,805	16,079

	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purposes of calculating the basic and diluted earnings per share	512,582	512,582

As the Company had no potential ordinary shares for each of the years ended 31 December 2025 and 2024, diluted earnings per share for the years ended 31 December 2025 and 2024 are the same as basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (Note (c))	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2024						
Opening net book value	230,738	42,704	1,328	4,511	40,962	320,243
Additions	1,561	1,028	–	10,543	7,359	20,491
Transfer upon completion of construction	–	963	–	(6,565)	5,602	–
Transfer to intangible assets (Note 15)	–	–	–	(3,456)	–	(3,456)
Transfer from assets classified as held for sale (Note (b))	3,765	–	–	–	–	3,765
Depreciation charge (Note 5)	(11,876)	(5,142)	(274)	–	(11,402)	(28,694)
Disposal	–	(206)	–	–	(2,058)	(2,264)
Closing net book value	224,188	39,347	1,054	5,033	40,463	310,085
As at 31 December 2024						
Cost	267,414	79,238	5,646	5,033	87,409	444,740
Accumulated depreciation	(43,226)	(39,891)	(4,592)	–	(46,946)	(134,655)
Net book value	224,188	39,347	1,054	5,033	40,463	310,085
Year ended 31 December 2025						
Opening net book value	224,188	39,347	1,054	5,033	40,463	310,085
Additions	213	967	14	18,291	3,619	23,104
Transfer upon completion of construction	–	908	–	(5,607)	4,699	–
Transfer to intangible assets (Note 15)	–	–	–	(5,178)	–	(5,178)
Transfer from inventories	–	–	–	3,238	2,677	5,915
Depreciation charge (Note 5)	(11,606)	(5,073)	(263)	–	(11,367)	(28,309)
Disposal	(37)	(106)	–	–	(260)	(403)
Closing net book value	212,758	36,043	805	15,777	39,831	305,214
As at 31 December 2025						
Cost	267,664	80,485	5,660	15,777	97,684	467,270
Accumulated depreciation	(54,906)	(44,442)	(4,855)	–	(57,853)	(162,056)
Net book value	212,758	36,043	805	15,777	39,831	305,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) As at 31 December 2025, certain buildings of the Group amounting to RMB207,559,000 (2024: RMB223,554,000) were pledged as security for bank borrowings (Notes 24, 25 and 36).
- (b) As at 31 December 2023, the Group committed to a plan to sell idle right-of-use assets and the aboveground factory building, of which the net book value amounted to RMB4,825,000 and RMB3,765,000, respectively, and they were reclassified as assets classified as held for sale thereafter. As at 31 December 2024, the Group reclassified the assets classified as held for sale to right-of-use assets and property, plant and equipment since the Group could not identify a suitable buyer. The right-of-use assets and the building aforementioned were pledged as collateral for certain short-term borrowings.
- (c) During the year ended 31 December 2024, the Group entered into a five-year lease agreement with a lessee in respect of the leasing of a portion of an unsplitable area of the Group's building for workplace usage. During the year ended 31 December 2025, the lessee terminated the lease early, and part of the same unsplitable area was subsequently leased to independent third parties on a short-term basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2025 RMB'000	2024 RMB'000
Right-of-use assets (Note)		
Land use right	67,785	64,058
Buildings	19,823	39,983
	87,608	104,041
Lease liabilities		
Within one year	11,792	16,978
Within a period of more than one year but not exceeding two years	5,572	13,506
Within a period of more than two years but not exceeding five years	4,687	17,691
	22,051	48,175
Less: amount due for settlement within 12 months shown under current liabilities	(11,792)	(16,978)
Amount due for settlement after 12 months shown under non-current liabilities	10,259	31,197

Note: Additions to the building and land use right during the year ended 31 December 2025 were RMB19,558,000 and RMB6,158,000, respectively (2024: RMB5,321,000 and RMB323,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. LEASES (Continued)

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Notes	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets	5		
– Land use right		2,431	2,373
– Buildings		10,892	14,797
		13,323	17,170
Interest expense (included in finance costs)	8	1,312	2,649
Expense relating to short-term leases		875	292

The total cash outflow for leases in 2025 was RMB13,928,000 (2024: RMB10,462,000). The details are as follows:

Payment for short-term lease – RMB875,000 (2024: RMB292,000)

Payment for principal elements of leases – RMB11,741,000 (2024: RMB7,521,000)

Payment for interest elements of leases – RMB1,312,000 (2024: RMB2,649,000)

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, plants and pieces of land. Rental contracts are typically made for fixed periods of 1 to 50 years as stated below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Lease terms
Buildings	1–4 years
Land use right	50 years

(d) As at 31 December 2025 and 2024, the Group's land use right for the value of RMB61,729,000 (2024: RMB64,058,000) were pledged as security for borrowings (Notes 24, 25 and 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. INTANGIBLE ASSETS

	Computer software and others RMB'000	Unpatented technologies RMB'000	Patents RMB'000	Total RMB'000
Year ended 31 December 2024				
Opening net book value	21,404	21,067	–	42,471
Additions	3,792	–	–	3,792
Transfer from property, plant and equipment (Note 13)	3,456	–	–	3,456
Exchange differences	(179)	–	–	(179)
Amortisation charge (Note 5)	(5,642)	(1,600)	–	(7,242)
Closing net book value	22,831	19,467	–	42,298
As at 31 December 2024				
Cost	48,043	24,000	–	72,043
Accumulated amortisation	(25,212)	(4,533)	–	(29,745)
Net book value	22,831	19,467	–	42,298
Year ended 31 December 2025				
Opening net book value	22,831	19,467	–	42,298
Additions	410	–	34	444
Transfer from property, plant and equipment (Note 13)	106	–	5,072	5,178
Disposal	(300)	–	–	(300)
Exchange differences	321	–	–	321
Amortisation charge (Note 5)	(5,904)	(1,600)	(45)	(7,549)
Closing net book value	17,464	17,867	5,061	40,392
As at 31 December 2025				
Cost	48,580	24,000	5,106	77,686
Accumulated amortisation	(31,116)	(6,133)	(45)	(37,294)
Net book value	17,464	17,867	5,061	40,392

Note: During the year ended 31 December 2025, amortisation expenses of RMB1,636,000 are included in cost of sales (2024: RMB2,146,000), RMB2,010,000 in selling and marketing expenses (2024: RMB1,685,000), RMB3,805,000 in administrative expenses (2024: RMB3,280,000), and RMB98,000 in research and development cost (2024: RMB131,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	2025 RMB'000	2024 RMB'000
Opening balance at 1 January	60,281	82,110
Deemed disposal (Note)	–	(14,785)
Share of net profit	4,628	298
Share of other comprehensive income/(expense)	1,219	(1,524)
Exchange differences	457	(793)
Dividend received and declared	–	(5,025)
Closing balance at 31 December	66,585	60,281

Note: On 16 December 2024, Austar Equipment Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, and STERIS Mauritius Limited (the “**Seller**”) entered into a sale and purchase agreement (the “**SPA**”), pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the 51 ordinary shares held by the Seller in AUSTAR Pharmaceutical Systems (Hong Kong) Limited (formerly known as STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited) (“**AUSTAR Pharmaceutical**”), representing 51% of the total issued shares of AUSTAR Pharmaceutical, at a cash consideration of United States Dollars (“**US\$**”) 1,515,000 (equivalent to approximately RMB10.9 million) (the “**Acquisition**”). The Acquisition was completed on 16 December 2024 (the “**Completion**”). Immediately before the Completion, AUSTAR Pharmaceutical was owned as to 49% of the equity interest by the Purchaser and was a joint venture accounted for using the equity method. Upon the Completion, AUSTAR Pharmaceutical was no longer a joint venture of the Group and instead became an indirect wholly-owned subsidiary of the Company.

Immediately before the date of completion, the fair value of the shares in AUSTAR Pharmaceutical held by the Group was HK\$15,510,000 (equivalent to approximately RMB14,362,000) and the carrying value of interest in AUSTAR Pharmaceutical held by the Group as a joint venture was RMB14,785,000. Accordingly, a loss of RMB423,000 was recognised for the derecognition of AUSTAR Pharmaceutical as a joint venture of the Company, which included release of the Group’s share of AUSTAR Pharmaceutical’s translation reserve of net amount of RMB405,000. The loss was recognised in profit or loss within the “other gains – net” line item in the consolidated statement of profit or loss.

Further information of the Acquisition is set out in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Note	Measurement method
		At 31 December 2025	2024			
ROTA Verpackungstechnik GmbH & Co. KG ("ROTA KG")	Germany	33.33%	33.33%	Associate	Note (a)	Equity
ROTA Verpackungstechnik Verwaltungsgesellschaft mbH ("ROTA GmbH")	Germany	33.33%	33.33%	Associate	Note (a)	Equity
Noozle Fluid Technology (Shanghai) Co., Ltd ("Noozle")	Shanghai	40.00%	40.00%	Associate	Note (b)	Equity
AUSTAR Pharmaceutical	Hong Kong	–	–	Joint venture	Note (c)	Equity
Authery Pharmaceutical Equipment (Shang Hai) Limited ("Authery Pharmaceutical")	Shanghai	–	–	Joint venture	Note (c)	Equity

Notes:

- (a) ROTA KG is a strategic partnership to the Group, which develops and produces pharmaceutical equipment in Germany. ROTA GmbH, the general partner of ROTA KG, is an investment holding company.
- (b) Noozle is a strategic partnership to the Group, which develops and produces pharmaceutical equipment in Shanghai.
- (c) Since 16 December 2024, AUSTAR Pharmaceutical was no longer a strategic joint venture of the Group and instead became an indirect wholly-owned subsidiary of the Company, which develops and produces pharmaceutical equipment via its subsidiary, Authery Pharmaceutical, in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

Summarised statements of financial position

Set out below are the summarised financial information for ROTA KG, Noozle and AUSTAR Pharmaceutical which are accounted for using the equity method.

	ROTA KG*		Noozle	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Current				
Cash and cash equivalents	18	4,458	30,292	19,529
Other current assets	31,286	26,516	51,400	52,121
Total current assets	31,304	30,974	81,692	71,650
Financial liabilities (excluding trade payables)	(2,203)	(223)	(2,682)	(609)
Other current liabilities (including trade payables)	(16,316)	(20,910)	(15,315)	(16,845)
Total current liabilities	(18,519)	(21,133)	(17,997)	(17,454)
Non-current				
Assets	49,335	46,110	16,292	17,652
Financial liabilities	(24,167)	(25,829)	–	–
Other liabilities	(5,866)	(5,492)	(2,174)	(2,439)
Net assets	32,087	24,630	77,813	69,409

* The financial information includes its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

Summarised statements of profit or loss and other comprehensive income

	ROTA KG*		Noozle		AUSTAR Pharmaceutical*	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	For the period from 1 January 2024 to 15 December 2024 RMB'000	
Revenue	145,695	161,287	81,184	64,158	27,907	
Depreciation and amortisation	(3,631)	(4,053)	(2,876)	(2,867)	(248)	
Interest income	–	–	14	11	96	
Interest expense	(2,663)	(2,382)	(133)	(148)	(22)	
Profit before income tax	4,589	1,201	8,618	2,719	187	
Income tax (expense)/credit	(789)	(1,403)	(214)	792	(2,308)	
Profit/(loss) for the year	3,800	(202)	8,404	3,511	(2,121)	
Other comprehensive income/(expense)	3,657	(4,514)	–	–	(40)	
Total comprehensive income/(expense)	7,457	(4,716)	8,404	3,511	(2,161)	
Dividends received from associates	–	–	–	1,200	–	

* The financial information includes its respective subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

Summarised financial information

	ROTA KG*		Noozle		AUSTAR Pharmaceutical*	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2024 RMB'000	
Opening net assets as at 1 January	24,630	29,346	69,409	74,870	31,507	
Profit/(loss) for the year	3,800	(202)	8,404	3,511	(2,121)	
Dividends	-	-	-	(12,562)	-	
Other comprehensive income/(expense)	3,657	(4,514)	-	-	(40)	
Capital injection	-	-	-	3,590	-	
Derecognition	-	-	-	-	(29,346)	
Closing net assets	32,087	24,630	77,813	69,409	-	
Interest	10,695	8,210	31,125	27,763	14,380	
Goodwill	8,760	8,760	15,045	15,045	-	
Accumulated exchange differences	960	503	-	-	405	
Deemed disposal	-	-	-	-	(14,785)	
Carrying value	20,415	17,473	46,170	42,808	-	

* The financial information includes its respective subsidiaries.

The information above reflects the amounts presented in the financial statements of the associates and joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies between the Group and the associates and joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	88,214	91,422
Work in progress	138,122	95,918
Finished goods	53,317	51,085
	279,653	238,425

Inventories of RMB279,653,000 (2024: RMB238,425,000) are expected to be recovered in no more than 12 months.

18. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

Note	2025 RMB'000	2024 RMB'000
Contract assets		
– Unbilled revenue	572,390	456,733
– Retention receivables	77,278	124,317
	649,668	581,050
Less: loss allowance	(21,488)	(18,573)
Total contract assets	628,180	562,477
Contract liabilities	(260,343)	(202,263)

As at 1 January 2024, contract assets amounted to RMB642,906,000 and contract liabilities amounted to RMB180,190,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS (Continued)

Movements in contract assets (net of loss allowance):

	2025 RMB'000	2024 RMB'000
At the beginning of the year	562,477	642,906
Revenue recognised from integrated engineering solutions contracts	1,057,996	1,038,332
Progress billing during the year	(991,164)	(1,120,163)
(Allowance for)/reversal of impairment losses on contract assets	(1,129)	1,402
At the end of the year	628,180	562,477

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	153,949	125,472

(ii) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts.

	2025 RMB'000	2024 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	1,128,463	1,081,512

As at 31 December 2025, the aggregate amount of the transaction price allocated to the remaining performance obligation (“**backlog**”) is RMB1,128,463,000 (2024: RMB1,081,512,000) and management of the Group expects that the Group will recognise this revenue as the contracts are completed, most of which is expected to occur over the next 24 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. TRADE AND NOTES RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables (Note (a))	361,736	431,813
Notes receivables (Note (b))	34,648	43,170
	396,384	474,983
Less: loss allowance	(44,738)	(50,449)
End of the year	351,646	424,534

As at 1 January 2024, trade receivables from contracts with customers amounted to RMB299,705,000, net of loss allowance.

Notes:

- (a) The ageing analysis of gross trade receivables (including amounts due from related parties of trading in nature of RMB3,383,000 (2024: RMB3,340,000)) based on sales contracts at the respective dates of consolidated statement of financial position is as follows:

	2025 RMB'000	2024 RMB'000
Within 6 months	213,350	266,333
6 months to 1 year	28,789	45,967
1 to 2 years	57,826	56,252
2 to 3 years	24,910	33,524
Over 3 years	36,861	29,737
	361,736	431,813

Most of the trade receivables are due within 90 days in accordance with sales contracts.

Included in the trade receivables are debtors with a carrying amount of RMB196,896,000 (2024: RMB219,212,000) at 31 December 2025, which are past due. Out of the past due balances, RMB176,295,000 (2024: RMB182,290,000) has been past due 90 days or more and is not considered as in default at 31 December 2025 by considering the continuous business relationship and historical repayments from these customers. The Group does not hold any collateral over these balances or charge any interest thereon.

The Group applies the simplified approach to provide for ECL on all trade receivables. Trade receivables that are known to have financial difficulties or significant doubt on collection have been assessed for ECL individually. ECLs are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery by taking into account their historical credit losses, as well as the prevailing market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. TRADE AND NOTES RECEIVABLES (Continued)

Notes: (Continued)

- (b) Most of the notes receivables are bank acceptance with maturity dates within six months (2024: within six months). At 31 December 2025, notes receivables of RMB25,516,000 (2024: RMB20,633,000) were classified as financial assets at fair value through other comprehensive income.

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2025, the Group endorsed certain notes receivables accepted by banks in the PRC (the “**Endorsed Notes**”) with a carrying amount of RMB142,194,000 (2024: RMB72,778,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”).

In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes of RMB23,332,000 (2024: RMB15,377,000), and accordingly, it continued to recognise the full carrying amounts of such Endorsed Notes and the associated trade payables settled (Note 23(d)). Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge to any other third parties.

- (c) The carrying amounts of the Group’s trade and notes receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
US\$	22,321	17,258
Euro (“EUR”)	2,173	4,033
Others	711	227
	25,205	21,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. PREPAYMENTS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Prepayments to suppliers	57,532	76,255
Staff advance	437	634
Receivable for disposal of land use right classified as right-of-use asset (Note (d))	–	14,522
Others	10,357	14,356
	68,326	105,767
Less: provision for impairment (Note (b))	(1,080)	(1,394)
	67,246	104,373
Deposits as guarantee for bidding	12,752	15,662
Dividend receivable	2,825	3,825
	15,577	19,487
Less: loss allowance (Note 32.1(b))	(3,262)	(4,208)
	12,315	15,279
Total	79,561	119,652
Less: rental deposits shown under non-current assets	(1,801)	–
Amount shown under current assets	77,760	119,652

Notes:

- (a) As at 31 December 2025 and 2024, the carrying amounts of other receivables are approximated at their fair values.
- (b) Movements of the Group's provision for impairment of prepayments are as follows:

	2025 RMB'000	2024 RMB'000
Beginning of the year	1,394	879
(Reversal of)/provision for impairment	(314)	515
End of the year	1,080	1,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (c) The carrying amounts of the Group's other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
US\$	2,798	5,729
EUR	959	986
Others	769	1,412
	4,526	8,127

- (d) In December 2024, the Group entered into a compensation agreement with local government in relation to disposal of land use right over a piece of land located in Shanghai, the PRC. The total consideration for the land use right was RMB14,522,000. As a result of the compensation agreement, there was a net gain of RMB13,974,000 recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2024.

The receivable for disposal of land use right classified as right-of-use asset was fully received during the year ended 31 December 2025.

21. PLEDGED BANK DEPOSITS, TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents		
– Cash in hand	6	9
– Deposits at banks	227,388	166,796
	227,394	166,805
Pledged bank deposits (Note (a))	49,388	38,868
Term deposits with initial terms of over three months	–	1,000
	276,782	206,673
Less: pledged bank deposits shown under non-current assets	(311)	–
Amount shown under current assets	276,471	206,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. PLEDGED BANK DEPOSITS, TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

(Continued)

Notes:

- (a) The pledged bank deposits were held as security mainly for standby letter of credit, letter of guarantee, borrowings and restricted deposit for lawsuit.
- (b) The carrying amounts of the Group's pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
US\$	43,717	34,650
RMB	2,545	1,055
HK\$	287	179
EUR	6,526	5,506
Others	1,880	802
	54,955	42,192

22. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares Thousands	Nominal value of ordinary shares HK\$'000	
Authorised, HK\$0.01 each:			
At 1 January 2024, 31 December 2024 and 31 December 2025	10,000,000	100,000	
	Number of ordinary shares Thousands	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary share RMB'000
Issued and fully paid, HK\$0.01 each:			
At 1 January 2024, 31 December 2024 and 31 December 2025	512,582	5,126	4,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (Note (a))	460,347	382,106
Payroll and welfare payable	49,165	65,987
Accrued expenses	27,881	37,081
Payable to vendors of project cost and construction	78,580	108,252
Indirect taxes payable	7,859	5,525
Warranty provision (Note (e))	8,517	15,954
Employee payables	2,570	2,681
Others	18,922	21,685
	653,841	639,271

Notes:

- (a) The ageing analysis of trade payables (including amounts due to related parties of trading in nature of RMB1,425,000 (2024: RMB1,490,000)) based on invoice date is as follows:

	2025 RMB'000	2024 RMB'000
Within 6 months	342,227	269,889
6 months to 1 year	54,427	47,041
1 to 2 years	37,035	41,792
2 to 3 years	11,636	8,235
Over 3 years	15,022	15,149
	460,347	382,106

- (b) As at 31 December 2025 and 2024, the carrying amounts of trade and other payables are approximated at their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

- (c) The carrying amounts of the Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2025 RMB'000	2024 RMB'000
US\$	43,041	24,545
EUR	389	3,945
Others	148	190
	43,578	28,680

- (d) As at 31 December 2025, payments for trade payables of RMB23,332,000 (2024: RMB15,377,000) with notes receivables were not derecognised.

- (e) The warranty provision represents the management's best estimate of the Group's liability under 2-year assurance-type warranty granted on pharmaceutical equipment, based on prior experience for defective products.

	2025 RMB'000	2024 RMB'000
At 1 January	15,954	20,781
Additional provision in the year	4,874	5,821
Utilisation of provision	(12,311)	(10,648)
At 31 December	8,517	15,954

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For the year ended 31 December 2025

24. LONG-TERM BORROWINGS

	2025 RMB'000	2024 RMB'000
Long-term bank borrowings, secured (Note (a))	10,000	35,869
Long-term bank borrowings, unsecured (Note (b))	74,006	88,157
	84,006	124,026
Less: Long-term borrowings due within one year	(20,781)	(98,884)
	63,225	25,142
The carrying amount of the above borrowing is repayable*:		
Within one year	20,781	98,884
Within a period more than one year but not exceeding two years	63,225	25,142
	84,006	124,026
Less: amount due within one year shown under current liabilities	(20,781)	(98,884)
	63,225	25,142

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

- (a) As at 31 December 2025, the secured long-term bank borrowings are denominated in RMB and secured by the Group's buildings and right-of-use assets (2024: building and right-of-use assets) (Notes 13 and 14). For the year ended 31 December 2025, the secured long-term bank borrowings bore interest rates of 2.65% (2024: ranging from 3.65% to 4.25%) per annum.
- (b) As at 31 December 2025, the unsecured long-term bank borrowings were denominated in RMB and bore interest rates ranging from 2.65% to 3.70% (2024: 3.30% to 3.65%) per annum. As at 31 December 2025 and 2024, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

As at 31 December 2025, the fair value of the long-term borrowings (including long-term borrowings due within one year) was not materially different to their carrying amounts, since the interest payable on those borrowings was close to current market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. LONG-TERM BORROWINGS (Continued)

The exposure of the Group's long-term borrowings are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate borrowings	19,341	25,880
Variable-rate borrowings	64,665	98,146
	84,006	124,026

The Group's variable-rate long-term borrowings carry interest at the People's Bank of China Loan Prime Rate, subject to a spread ranging from -0.35% to +0.30% (2024: -0.05% to +0.90%) per annum. Interest rate is reset every twelve months.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's long-term borrowings are as follows:

	2025	2024
Effective interest rate:		
Fixed-rate borrowings	3.65% to 3.70%	3.65%
Variable-rate borrowings	2.65% to 3.40%	3.30% to 4.25%

The Group's long-term borrowings are denominated in RMB which is the functional currencies of the relevant group entities.

25. SHORT-TERM BORROWINGS

	2025 RMB'000	2024 RMB'000
Short-term bank borrowings, secured (Note (a))	97,630	72,579
Short-term bank borrowings, unsecured (Note (b))	139,988	157,171
	237,618	229,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. SHORT-TERM BORROWINGS (Continued)

Notes:

- (a) As at 31 December 2025, the secured short-term bank borrowings were denominated in RMB and New Taiwan Dollar (2024: RMB) and secured by the Group's buildings (Note 13), right-of-use assets (Note 14) and pledged bank deposits (Note 21) (2024: building (Note 13), right-of-use assets (Note 14) and pledged bank deposits (Note 21)). For the year ended 31 December 2025, the secured short-term bank borrowings bore interest rates from 1.20% to 3.00% (2024: 1.50% to 3.80%) per annum and were repayable within one year.
- (b) As at 31 December 2025, the unsecured short-term bank borrowings are denominated in RMB (2024: RMB) and bore interest rates ranging from 2.40% to 3.00% (2024: 2.95% to 3.90%) per annum and were repayable within one year. As at 31 December 2025 and 2024, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

The exposure of the Group's short-term borrowings are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate bank borrowings	172,383	180,886
Variable-rate bank borrowings	65,235	48,864
	237,618	229,750

The Group's variable-rate bank borrowings carry interest at the People's Bank of China Loan Prime Rate, subject to a spread ranging from -0.30% to -0.10% (2024: +0.35%) per annum or at Taiwan Bank's one-year fixed-term savings deposit flexible interest rate plus 1.28% per annum. Interest rate is reset every twelve months.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's short-term bank borrowings are as follows:

	2025	2024
Effective interest rate:		
Fixed-rate bank borrowings	1.20% to 3.00%	1.50% to 3.90%
Variable-rate bank borrowings	2.70% to 3.00%	3.45% to 3.80%

The Group's short-term bank borrowings are denominated in RMB and New Taiwan Dollar which are the functional currencies of the relevant group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
At beginning of the year	135	341
Additions of government grant obtained	2,235	–
Credited to profit or loss (Note 6)	(1,900)	(206)
At end of the year	470	135

27. OTHER FINANCIAL LIABILITIES

	2025 RMB'000	2024 RMB'000
Measured at amortised cost: Redemption liabilities (Note)	–	4,826

Note: As at 31 December 2024, redemption liabilities of approximately RMB4,826,000 arose from put option arrangements with non-controlling shareholders of an established subsidiary.

During the year ended 31 December 2025, the Group entered into a sale and purchase agreement with the non-controlling shareholders to purchase 750,000 ordinary shares in CAPE Europe Limited, representing 50% of the total issued shares of CAPE Europe Limited, at a cash consideration of Pound Sterling (“GBP”) 215,000 (equivalent to approximately RMB2,038,000). Immediately before the completion, CAPE Europe Limited was 50% owned by the Group and was an indirect non-wholly owned subsidiary of the Company. Upon completion, CAPE Europe Limited became an indirect wholly-owned subsidiary of the Company, and the acquisition was accounted for as an equity transaction with non-controlling interest. Therefore, the transaction had no impact on goodwill, and did not give rise to any gain or loss. An amount of RMB3,122,000 was credited to capital surplus, representing the excess of redemption liabilities settled of RMB5,474,000 over the aggregate of the cash consideration paid of RMB2,038,000, and the carrying amount of non-controlling interest at the date of acquisition of approximately RMB314,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	12,382	15,169
Deferred tax liabilities	(41,890)	(40,181)
	(29,508)	(25,012)

The net movement of the deferred tax account is as follows:

	2025 RMB'000	2024 RMB'000
As at 1 January	(25,012)	(21,123)
Exchange adjustments	993	(384)
Charged to profit or loss (Note 9)	(5,489)	(3,505)
As at 31 December	(29,508)	(25,012)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. DEFERRED TAX (Continued)

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

	Deferred tax assets		Deferred tax liabilities			Total RMB'000
	Impairment provision of receivables and inventories RMB'000	Warranty provision, accrued payroll and others RMB'000	Lease liabilities RMB'000	Withholding tax RMB'000	Right-of-use assets RMB'000	
As at 1 January 2024	11,808	4,322	8,885	(37,796)	(8,342)	(21,123)
(Charged)/credited to profit or loss	(119)	(1,545)	(1,539)	(2,002)	1,700	(3,505)
Exchange adjustments	-	-	-	(384)	-	(384)
As at 31 December 2024	11,689	2,777	7,346	(40,182)	(6,642)	(25,012)
(Charged)/credited to profit or loss	(795)	(1,568)	(3,917)	(2,701)	3,492	(5,489)
Exchange adjustments	-	-	-	993	-	993
As at 31 December 2025	10,894	1,209	3,429	(41,890)	(3,150)	(29,508)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

For the year ended 31 December 2025, the Group did not recognise deferred tax assets of RMB55,971,000 (2024: RMB43,741,000) in respect of losses amounting to RMB299,343,000 (2024: RMB232,471,000) as utilisation of such tax losses before expiry is uncertain.

For the year ended 31 December 2025, the Group did not recognise deferred tax assets of RMB2,956,000 (2024: RMB3,504,000) in respect of deductible temporary differences amounting to RMB14,602,000 (2024: RMB17,776,000) as utilisation of such deductible temporary differences in the foreseeable future is uncertain.

Under the EIT Law of the PRC, withholding tax of 5.0% to 10.0% (2024: 5.0% to 10.0%) is imposed on dividends declared in respect of profits earned by subsidiaries in PRC from 1 January 2008 onwards. Based on the dividend distribution plan of the management, retained earnings as at 31 December 2025 amounting to RMB547,195,000 (2024: RMB513,015,000) will be distributed as dividend in the foreseeable future, while the remaining retained earnings amounting to RMB5,090,000 (2024: nil) has been set aside for local operation and business development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision will be made for pending lawsuits if management believes the outflow of resources is not probable.

As at 31 December 2024, the Group provided guarantee to a bank in respect of one irrevocable letter of credit utilised by ROTA KG totalling EUR600,000 (equivalent to approximately RMB4,515,000). This represented the maximum exposure of the Group under the guarantee. Such a letter of credit had been withdrawn during the year ended 31 December 2025.

30. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	15,276	2,093

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For the year ended 31 December 2025

30. COMMITMENTS (Continued)

(b) Operating leasing arrangements

The Group as a lessor

During the year ended 31 December 2024, portion of the property held by the Group for rental purpose had a lessee committed to a five-year lease term. For those lease contracts with extension options, all of them contain market review clauses in the event that the lessee exercises its option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

During the year ended 31 December 2025, the lessee early terminated the lease agreement.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last few years. The Group did not identify any indications that this situation will change.

Undiscounted lease payments receivable on leases are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	–	2,476
In the second year	–	2,476
In the third year	–	2,587
In the fourth year	–	2,625
In the fifth year	–	656
	–	10,820

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For the year ended 31 December 2025

31. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	2025 RMB'000	2024 RMB'000
Financial assets			
Financial assets at amortised cost			
– Trade receivables	19	316,998	381,364
– Notes receivables	19	9,132	22,537
– Deposits as guarantee for bidding and other receivables	20	16,847	29,801
– Pledged bank deposits	21	49,388	38,868
– Term deposits with initial terms of over three months	21	–	1,000
– Cash and cash equivalents	21	227,394	166,805
Financial assets at FVTOCI			
– Notes receivables	19	25,516	20,633
Total		645,275	661,008
Financial liabilities			
Financial liabilities at amortised cost			
– Trade and other payables	32.1(c)	549,546	507,272
– Borrowings	24, 25	321,624	353,776
– Other financial liabilities	27	–	4,826
Total		871,170	865,874

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For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$ and EUR. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency. The Group has exposures on foreign currencies mainly for those entities which adopt Hong Kong dollar and RMB as functional currency.

As at 31 December 2025, if RMB had weakened/strengthened by 5% (2024: 5%) against US dollar with all other variables held constant, profit before income tax would have been RMB1,402,000 (2024: RMB368,000) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents, receivables and payables held by the group entities.

As at 31 December 2025, if RMB had weakened/strengthened by 5% (2024: 5%) against EUR with all other variables held constant, profit before income tax would have been RMB336,000 (2024: RMB63,000) higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of EUR denominated pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents, receivables and payables held by the group entities.

As at 31 December 2025, if Hong Kong dollar had weakened/strengthened by 5% (2024: 5%) against EUR with all other variables held constant, profit before income tax would have been RMB127,000 (2024: RMB264,000) higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of EUR denominated pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents, receivables and payables held by the group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) *Foreign exchange risk* (Continued)

As Hong Kong dollar is pegged to US\$, the Group does not have material exchange rate risk on such currency. The foreign exchange risk arising from the exposure of other foreign currencies is considered to be minimal.

(ii) *Interest rate risk*

The Group's cash flow interest rate risk arises mainly from certain bank borrowings which are carried at floating rate. As at 31 December 2025, if the market interest rate has been 100 (2024: 100) basis points higher/lower with all other variables held constant, profit for the year would have been RMB974,000 (2024: RMB1,103,000) lower/higher.

(b) *Credit risk*

The Group is exposed to credit risk mainly in relation to its trade and notes receivables, other receivables, contract assets and cash deposits with banks.

(i) *Risk management*

To manage this risk, management of the Group places bank deposits mainly with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions.

For trade receivables and contract assets, the Group assesses the credit quality of the customers, taking their financial position, past experience and other factors into consideration. The compliance with credit limit by customers is regularly monitored by management of the Group. The Group has policies in place that sales are made to customers with solid financial position and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group assesses and identifies individual customers with known financial difficulties or with significant doubt on collection of receivables for provision for impairment allowance and reviews regularly the recoverable amount of each individual trade receivable and contract asset to ensure that adequate impairment losses are made. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

For other receivables and deposits, management of the Group makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Management of the Group believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL ("12m ECL").

Notes receivables were issued by state-owned banks in the PRC. The credit quality of notes receivables has been assessed by reference to external credit ratings and to historical information about the counterparty default rates.

For financial guarantee contract, the Group had outstanding financial guarantee issued to a bank in respect of bank facilities granted to an associate, under which the Group could be required to pay up to EUR600,000 (equivalent to approximately RMB4,515,000) as at 31 December 2024 (2025: nil). EUR600,000 approximated at RMB4,515,000 (2025: nil) of the outstanding financial guarantee has been utilised by the associate. The fair value of the financial guarantee, as at dates of initial recognition, was considered insignificant. At the end of the reporting period, management of the Group has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contract. Accordingly, the loss allowance for financial guarantee contract issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in profit or loss.

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the ECL model:

- trade receivables
- contract assets
- notes receivables
- other receivables and deposits
- pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Credit risk on pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies. The Group assessed 12m ECL for pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents by reference to information relating to probability of default and loss given default corresponding to the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits, term deposits with initial terms of over three months and cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

The Group considered most of the notes receivables are bank acceptance with maturity dates within six months and hence have low credit risk. Management of the Group considered notes receivables were of low credit risk as they have a low risk of default and the accepting bank has a strong capacity to meet its contractual cash flow obligations in the near term. The identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL allowance for trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the ageing days. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of that for the contract assets.

The expected loss rates are based on the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the following indicators in forward-looking estimates, such as changes in macroeconomic conditions, time value, industry trends and accordingly adjusts the historical loss rates based on expected changes in these factors.

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For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

On that basis, the loss allowance as at 31 December 2025 and 31 December 2024 was determined as follows for both trade receivables and contract assets.

As at 31 December 2025	Within 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	1.12%	2.44%	11.57%	21.32%	61.74%	
Gross carrying amount – trade receivables	213,349	28,789	57,606	23,681	17,710	341,135
Gross carrying amount – contract assets	607,656	14,581	15,444	417	1,880	639,978
Loss allowance	9,191	1,058	8,454	5,137	12,095	35,935

As at 31 December 2024	Within 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	0.52%	2.85%	13.67%	22.22%	64.73%	
Gross carrying amount – trade receivables	266,333	45,967	54,590	26,071	11,446	404,407
Gross carrying amount – contract assets	506,665	28,728	31,983	4,158	–	571,534
Loss allowance	4,013	2,128	11,832	6,718	7,409	32,100

The trade receivables and contract assets relating to customers with known financial difficulties or with significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2025, the balance of individually assessed receivables and contract assets were RMB30,291,000 (2024: RMB36,922,000) and the loss allowances in respect of individually assessed receivables and contract assets were RMB30,291,000 (2024: RMB36,922,000).

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For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

Trade receivables and contract assets	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2024	32,469	37,059	69,528
– Impairment losses recognised	5,792	4,761	10,553
– Impairment losses reversed	(6,270)	(4,603)	(10,873)
– Write-offs	–	(295)	(295)
New financial assets originated			
– Impairment losses recognised	109	–	109
As at 31 December 2024	32,100	36,922	69,022
– Transferred to lifetime ECL (credit-impaired)	(181)	181	–
– Impairment losses recognised	13,023	869	13,892
– Impairment losses reversed	(19,257)	(7,609)	(26,866)
– Write-offs	–	(72)	(72)
New financial assets originated			
– Impairment losses recognised	10,250	–	10,250
As at 31 December 2025	35,935	30,291	66,226

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Impairment losses on trade receivables, contract assets and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits as guarantee for bidding and dividend receivable recognised in other receivables.

Impairment on other financial assets at amortised cost is measured as either 12m ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. The management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed that the ECL for other financial assets at amortised cost were insignificant except dividend receivables as disclosed in Note 20.

The loss allowance for other financial assets at amortised cost as at 31 December reconciles to the opening balance as follows:

	Lifetime ECL (credit-impaired)	
	2025 RMB'000	2024 RMB'000
Opening loss allowance at 1 January	4,208	608
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(946)	3,600
Closing loss allowance at 31 December	3,262	4,208

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32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Net impairment losses on financial assets and contract assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to financial assets and contract assets:

	2025 RMB'000	2024 RMB'000
Reversal of impairment on trade receivables and contract assets	(2,724)	(211)
(Reversal of impairment)/impairment on other financial assets at amortised cost	(946)	3,600
Net impairment (gains)/losses on financial assets and contract assets	(3,670)	3,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2025					
Trade payables	460,347	–	–	460,347	460,347
Other payables	89,199	–	–	89,199	89,199
Lease liabilities (Note 14)	12,421	10,627	–	23,048	22,051
Short-term borrowings (Note 25)	240,597	–	–	240,597	237,618
Long-term borrowings (Note 24)	23,030	63,953	–	86,983	84,006
	825,594	74,580	–	900,174	893,221

	Less than 1 year RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2024					
Trade payables	382,106	–	–	382,106	382,106
Other payables	125,166	–	–	125,166	125,166
Lease liabilities (Note 14)	18,650	32,701	–	51,351	48,175
Short-term borrowings (Note 25)	233,005	–	–	233,005	229,750
Long-term borrowings (Note 24)	102,907	25,668	–	128,575	124,026
Other financial liabilities	–	–	5,662	5,662	4,826
Financial guarantee contracts (Note 29)	4,515	–	–	4,515	–
	866,349	58,369	5,662	930,380	914,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as gross debt divided by total capital. Gross debt is calculated as total borrowings and lease liabilities, including current and non-current portions as shown in the consolidated statement of financial position.

The gearing ratio as at 31 December 2025 and 2024 are as follows:

	2025 RMB'000	2024 RMB'000
Gross debt (Note 33(b))	343,726	406,854
Total equity	824,085	793,468
Total capital	1,167,811	1,200,322
Gearing ratio	29%	34%

The gearing ratio decreased from 34% to 29% as a result of the decrease in short-term borrowings and long-term borrowings in 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. FINANCIAL RISK MANAGEMENT (Continued)

32.3 Fair value estimation

Financial assets

(i) *Fair value hierarchy*

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
At 31 December 2025			
Financial assets			
Financial assets at FVTOCI			
– Notes receivables	–	25,516	–
Total financial assets	–	25,516	–
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
At 31 December 2024			
Financial assets			
Financial assets at FVTOCI			
– Notes receivables	–	20,633	–
Total financial assets	–	20,633	–

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.3 Fair value estimation (Continued)

Financial assets (Continued)

(i) *Fair value hierarchy* (Continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; or
- discounted cash flow analysis – future cash flows are estimated based on contractual terms of the notes receivables and discounted at a rate that reflects the credit risk of the counterparties.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities which are at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in consolidated financial statements approximate their fair values due to short maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash flow used in operations

	Notes	2025 RMB'000	2024 RMB'000
Profit before income tax		48,126	21,172
Adjustments for:			
Depreciation			
– Property, plant and equipment	13	28,309	28,694
– Right-of-use assets	14	13,323	17,170
Amortisation	15	7,549	7,242
Net impairment (gains)/losses on financial assets and contract assets	32.1(b)	(3,670)	3,389
Loss on disposals on property, plant and equipment	7	171	197
Gain on compensation for land use right	6	–	(13,974)
Gain on early termination of lease contracts	7	(2,788)	(1,060)
Loss on disposal of intangible assets	7	300	–
(Reversal of)/provision for impairment of prepayments		(314)	515
Write-down of inventories	5	5,102	5,248
Share of net profit of investments accounted for using the equity method	16	(4,628)	(298)
Loss on derecognition of a joint venture	7	–	423
Gain on bargain purchase on acquisition of a subsidiary	7	–	(4,066)
Finance costs	8	12,114	17,202
Deferred income	26	(1,900)	(206)
Interest income	8	(1,461)	(2,895)
Operating cash flows before movements in working capital		100,233	78,753
(Increase)/decrease in inventories		(52,490)	10,870
(Increase)/decrease in contract assets		(66,167)	91,044
Decrease/(increase) in trade and note receivables		69,701	(55,345)
Decrease/(increase) in prepayments and other receivables		25,269	(951)
Increase in pledged bank deposits		(10,520)	(2,490)
Increase in deferred income		2,235	–
Increase/(decrease) in trade and other payables		11,706	(36,535)
Increase in contract liabilities		58,274	17,440
Cash generated from operations		138,241	102,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Notes	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	21	227,394	166,805
Lease liabilities	14	(22,051)	(48,175)
Borrowings	24, 25	(321,624)	(353,776)
Interest payable		(51)	(77)
Other financial liabilities	27	–	(4,826)
Net debt		(116,332)	(240,049)
Cash and cash equivalents	21	227,394	166,805
Gross debt	32.2	(343,726)	(406,854)
Net debt		(116,332)	(240,049)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Net debt reconciliation (Continued)

	Liabilities from financing activities				Other assets		Total RMB'000
	Borrowings RMB'000	Lease liabilities RMB'000	Interest payables (included in other payables) RMB'000	Other financial liabilities RMB'000	Subtotal RMB'000	Cash and cash equivalents RMB'000	
Net debt as at							
1 January 2024	(430,681)	(65,518)	(210)	(4,642)	(501,051)	163,765	(337,286)
Cash flows	76,905	10,170	14,498	–	101,573	1,912	103,485
Foreign exchange adjustments	–	21	–	4	25	1,128	1,153
Interest expense	–	(2,649)	(14,365)	(188)	(17,202)	–	(17,202)
Leases termination	–	14,299	–	–	14,299	–	14,299
Inception of leases	–	(4,498)	–	–	(4,498)	–	(4,498)
Net debt as at 31 December 2024	(353,776)	(48,175)	(77)	(4,826)	(406,854)	166,805	(240,049)
Cash flows	32,152	13,053	10,665	–	55,870	61,244	117,114
Foreign exchange adjustments	–	(34)	–	(485)	(519)	(655)	(1,174)
Interest expense	–	(1,312)	(10,639)	(163)	(12,114)	–	(12,114)
Leases termination	–	32,141	–	–	32,141	–	32,141
Inception of leases	–	(19,558)	–	–	(19,558)	–	(19,558)
Derecognition directly in equity	–	–	–	5,474	5,474	–	5,474
Reclassification to other payables	–	1,834	–	–	1,834	–	1,834
Net debt as at 31 December 2025	(321,624)	(22,051)	(51)	–	(343,726)	227,394	(116,332)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2024, capital contributions from non-controlling interests amounted to RMB1,200,000, which were injected into the entity by way of intangible assets.

During the year ended 31 December 2025, the Group entered into new lease agreements for the use of leased properties for 2 to 4 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB19,558,000 and RMB19,558,000 (2024: RMB4,498,000 and RMB4,498,000) respectively.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

- (a) The following companies and persons are related parties of the Group which have entered into transactions with the Group during the years ended 31 December 2025 and 2024:

Names of the related parties	Nature of relationship
Austar Limited	Under common control of the Controlling Shareholder
ROTA KG	An associate of the Group
Noozle	An associate of the Group
Authery Pharmaceutical (Note)	A then joint venture of the Group

Note: Since 16 December 2024, AUSTAR Pharmaceutical and its subsidiary, Authery Pharmaceutical, were no longer joint ventures of the Group and instead became indirect wholly-owned subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties

During the year, the Group had the following significant transactions with related parties:

Names of the related parties	Nature of transactions	2025 RMB'000	2024 RMB'000
Noozle	Purchase of goods and services	6,343	1,091
ROTA KG	Purchase of goods and services	139	541
Authery Pharmaceutical	Purchase of goods and services	–	13,160
		6,482	14,792
Noozle	Sales of goods and services	1,127	3,273
Authery Pharmaceutical	Sales of goods and services	–	6,398
		1,127	9,671
Austar Limited	Rental expenses	160	177
Authery Pharmaceutical	Rental and miscellaneous income	–	390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

Names of the related parties	Nature of balances	2025 RMB'000	2024 RMB'000
Noozle	Receivables due from the related party	2,337	1,682
ROTA KG	Receivables due from the related party	1,046	1,658
		3,383	3,340
Noozle	Prepayments to the related party	1,180	1,180
ROTA KG	Prepayments to the related party	124	571
		1,304	1,751
Noozle	Payable due to the related party	1,044	1,044
ROTA KG	Payable due to the related party	381	446
		1,425	1,490
Noozle	Receipts in advance from the related party	108	108

(d) Key management compensation

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	6,429	8,047
Discretionary bonus	2	–
Post-employment benefits	730	707
	7,161	8,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for short-term and long-term borrowings are:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment		
– Buildings	207,559	223,554
Right-of-use assets		
– Land use right	61,729	64,058
Pledged bank deposits	49,388	38,868
Total assets pledged as security	318,676	326,480

37. PERFORMANCE BOND

During the year ended 31 December 2025, a project requires the Group to procure an insurance performance bond/guarantee, issued by a licensed bank in Hong Kong, in favour of a customer for 10.0% of the contract value, effective throughout the contract period and the subsequent defects liability period.

As at 31 December 2025, a performance guarantee of RMB1,900,000 (2024: nil) was issued by a bank in favour of a customer of the Group as security for the due performance of the Group's obligations, and will remain in force until final acceptance of the project. No claims were made against, and no amounts were paid under, this performance bond/guarantee during the year ended 31 December 2025 (2024: not applicable). In the opinion of the directors of the Company, it is considered as not probable that any claim will be made against the Group under this guarantee and, accordingly, no provision has been recognised.

38. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2024, as set out in Note 16, upon the Completion, AUSTAR Pharmaceutical was no longer a joint venture of the Purchaser and instead became an indirect wholly-owned subsidiary of the Company on 16 December 2024.

AUSTAR Pharmaceutical is principally engaged in the business of investment holding, and wholly owns Authery Pharmaceutical, a wholly foreign owned enterprise established in the PRC and principally engaged in the business of manufacturing and selling of pharmaceutical water and steam equipment and providing related technical services.

The Acquisition was accounted for as acquisition of a business, using acquisition accounting. After re-assessment by management of the Group with the assistance of Norton Appraisals Holding Limited, a qualified professional valuation specialist not connected to the Group, the fair value of net identifiable assets acquired exceeded the purchase consideration, resulting in a gain on bargain purchase. The amount of gain on bargain purchase arising from the acquisition of AUSTAR Pharmaceutical was RMB4,066,000. The gain was recognised in profit or loss within the "other gains-net" line item in the consolidated statement of profit or loss during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. ACQUISITION OF A SUBSIDIARY (Continued)

Consideration transferred	RMB'000
Cash	10,918

Acquisition-related costs amounting to RMB1,000 were excluded from the consideration transferred and were recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition	RMB'000
Property, plant and equipment	635
Inventories	11,340
Contract assets	9,079
Trade and notes receivables	18,421
Prepayments and other receivables	29
Cash and cash equivalents	13,738
Trade and other payables	(17,927)
Contract liabilities	(4,846)
Current income tax liabilities	(1,123)
Net assets recognised at the date of acquisition	29,346

The receivables acquired (which principally comprised trade and notes receivables) with a fair value of RMB18,421,000 at the date of acquisition had gross contractual amounts of RMB20,287,000. The best estimate at acquisition date of the contractual cash flows which was not expected to be collected amounted to RMB1,866,000.

Gain on bargain purchase arising from the Acquisition	RMB'000
Net assets acquired	29,346
Less: fair value of previously held investments accounted for using the equity method	(14,362)
Less: cash consideration paid	(10,918)
Gain on bargain purchase on acquisition of a subsidiary (Note 7)	4,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow on acquisition of AUSTAR Pharmaceutical	RMB'000
Cash consideration paid	(10,918)
Less: cash and cash equivalent balances acquired	13,738
Net cash inflow on acquisition of AUSTAR Pharmaceutical	2,820

Impact of the Acquisition on the results of the Group

Upon the acquisition of AUSTAR Pharmaceutical, it began operating as an internal supplier for the Group. The majority of its revenue was generated within the Group. As a result, after the acquisition, AUSTAR Pharmaceutical did not significantly contribute to the Group's overall revenue and results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of principal subsidiaries of the Company as at 31 December 2025 and 2024:

Company name	Kind of legal entity	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Directly owned:					
Austar Equipment Limited (奧星設備有限公司)	Limited liability company	BVI/25 January 2005	US\$100	100%	Investment holding/BVI
Indirectly owned:					
Shanghai Austar	Limited liability company	Shanghai, the PRC/ 20 August 2003	US\$29,164,920	100%	Provision of integrated engineering solutions and pharmaceutical equipment manufacturing/the PRC
Austar SJZ	Limited liability company	Shijiazhuang, the PRC/ 9 July 2004	RMB84,882,000	100%	Provision of integrated engineering solutions, pharmaceutical equipment manufacturing, maintenance and GMP compliance service/the PRC
Austar Hansen	Limited liability company	Shanghai, the PRC/ 29 March 2001	RMB6,660,000	100%	Distribution and agency and pharmaceutical consumable manufacturing/the PRC
Austar Engineering Technology (Shijiazhuang) Limited (奧星工程科技石家莊有限公司)	Limited liability company	Shijiazhuang, the PRC/ 23 March 2021	RMB48,500,000	100%	Provision of integrated engineering solutions and clean room enclosure system
Austar Pharmaceutical Process Systems Limited (奧星製藥工藝系統有限公司)	Limited liability company	Hong Kong/20 April 2012	HK\$55,812,404	100%	Investment holdings, distribution and agency/Hong Kong
Austar Pharmaceutical Process Systems (Shijiazhuang) Limited (奧星製藥工藝系統(石家莊)有限公司)	Limited liability company	Shijiazhuang, the PRC/ 6 May 2014	RMB43,000,000	100%	Provision of integrated engineering solutions and pharmaceutical equipment manufacturing/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

The following is a list of principal subsidiaries as at 31 December 2025 and 2024: (Continued)

Company name	Kind of legal entity	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Indirectly owned:					
Austar Pharmaceutical Technology (SJZ) Limited (奧星製藥科技(石家莊)有限公司)	Limited liability company	Hong Kong/27 January 2015	HK\$100	100%	Investment holding/Hong Kong
AUSTAR TEKSUL Pharmaceutical Equipment Limited (奧星特克蘇製藥設備有限公司) (Formerly known as Austar Pharmaceutical Equipment (NJ) Limited (奧星製藥設備(南京)有限公司))	Limited liability company	Hong Kong/27 January 2015	HK\$100	100%	Investment holding/Hong Kong
Austar Pharmaceutical Technology Equipment (Nanjing) Ltd. (奧星製藥技術設備(南京)有限公司)	Limited liability company	Nanjing, the PRC/18 May 2015	RMB29,500,000	100%	Provision of integrated engineering solutions and pharmaceutical equipment manufacturing/the PRC
Austar Biosciences Investment Limited (奧星生物科技投資有限公司)	Limited liability company	BVI/1 April 2015	US\$100	100%	Investment holding/BVI
Austar Biosciences Limited (奧星生物科技有限公司)	Limited liability company	Hong Kong/20 April 2015	HK\$100	100%	Investment holding/Hong Kong
Austar Pharmaceutical Technology Investment (SJZ) Limited (奧星製藥科技投資(石家莊)有限公司)	Limited liability company	BVI/12 January 2015	US\$12,048,383	100%	Investment holding/BVI
Austar Pharmaceutical Equipment Investment (NJ) Limited (奧星製藥設備投資(南京)有限公司)	Limited liability company	BVI/12 January 2015	US\$209,717	100%	Investment holding/BVI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

The following is a list of principal subsidiaries as at 31 December 2025 and 2024: (Continued)

Company name	Kind of legal entity	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Indirectly owned:					
Austar Asia Investment Limited (奧星亞洲投資有限公司)	Limited liability company	BVI/19 July 2017	US\$1	100%	Investment holding/BVI
Austar Hansen Lifesciences (Hebei) Limited (奧星衛迅生命科技(河北)有限公司)	Limited liability company	Shijiazhuang, the PRC/ 16 September 2021	RMB30,000,000	100%	Provision of life sciences consumable/ the PRC
Shanghai Austar Pharmaceutical Science and Technology Limited (上海奧星醫藥科技有限公司)	Limited liability company	Shanghai, the PRC/ 7 August 2017	RMB2,150,000	100%	Investment holding/the PRC
Hebei Aunity Engineering Consulting Limited (河北奧恒工程設計諮詢有限公司)	Limited liability company	Hebei, the PRC/ 2 November 2017	RMB3,822,000	100%	Provision of pharmaceutical engineering design/the PRC
Austarunion India Process Systems Private Limited	Limited liability company	India/29 November 2018	Rupees7,500,000	100%	Provision of integrated engineering solutions and pharmaceutical equipment, and distribution/India
Austar Malaysia Limited	Limited liability company	Malaysia/13 November 2019	US\$100	100%	Provision of integrated engineering solutions and pharmaceutical equipment, and distribution/ Malaysia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

The following is a list of principal subsidiaries as at 31 December 2025 and 2024: (Continued)

Company name	Kind of legal entity	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Indirectly owned:					
Austar UK Limited	Limited liability company	England and Wales/ 31 March 2020	GBP100	100%	Provision of integrated engineering solutions and pharmaceutical equipment manufacturing/United Kingdom (the "UK")
Austar Europe Asset Holdings Limited (奧星歐洲資產控股有限公司)	Limited liability company	Hong Kong/30 October 2020	HK\$10,000,000	100%	Investment holding/Hong Kong
Cape Europe Limited	Limited liability company	England and Wales/ 24 August 2021	EUR1,500,000	100% (2024: 50%)	Investment holding/UK
Cape Europe France SAS	Limited liability company	France/25 January 2021	EUR10,000	100% (2024: 50%)	Research & Development Sales RTP product and related services/France
Austar Taiwan Limited (奧星台灣有限公司)	Limited liability company	Taiwan/23 February 2022	TWD42,000,000	100%	Provision of integrated engineering solutions and pharmaceutical equipment/Taiwan

The English names of certain subsidiaries referred to herein represent management's best effort in translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. Giving details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length. Additionally, they believed that no non-controlling interests were material to the Group, and therefore, the non-controlling interests were not disclosed.

None of the subsidiaries had issued any debt securities at the end of both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	111,358	114,169
	111,358	114,169
Current assets		
Amounts due from subsidiaries	314,344	307,416
Prepayments and other receivables	275	10,716
Cash and cash equivalents	11,430	13,794
	326,049	331,926
Total assets	437,407	446,095
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	4,071	4,071
Share premium	314,009	314,009
Capital surplus	97,870	97,870
Currency translation differences	55,099	66,071
Accumulated losses	(34,984)	(40,226)
Total equity	436,065	441,795
Liabilities		
Current liabilities		
Trade and other payables	1,342	4,300
Total liabilities	1,342	4,300
Total equity and liabilities	437,407	446,095

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 26 March 2026 and was signed on its behalf by:

Mr. Ho Kwok Keung, Mars
Executive Director

Madam Zhou Ning
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Reserve movement of the Company

	Share premium RMB'000	Capital surplus RMB'000	Currency translation differences RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	314,009	97,870	56,550	(31,280)	437,149
Loss for the year	–	–	–	(8,946)	(8,946)
Currency translation differences	–	–	9,521	–	9,521
At 31 December 2024	314,009	97,870	66,071	(40,226)	437,724
At 1 January 2025	314,009	97,870	66,071	(40,226)	437,724
Profit for the year	–	–	–	5,242	5,242
Currency translation differences	–	–	(10,972)	–	(10,972)
At 31 December 2025	314,009	97,870	55,099	(34,984)	431,994

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	2025 RMB'000	For the year ended 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000
Continuing operations					
Revenue	1,530,672	1,500,402	1,763,734	2,156,869	2,015,028
Cost of sales	(1,237,401)	(1,199,185)	(1,427,684)	(1,668,073)	(1,536,020)
Gross profit	293,271	301,217	336,050	488,796	479,008
Selling and marketing expenses	(139,607)	(131,851)	(167,323)	(177,091)	(170,289)
Administrative expenses	(85,382)	(107,225)	(133,666)	(128,843)	(128,094)
Net impairment gains/(losses) on financial assets and contract assets	3,670	(3,389)	(31,893)	3,212	(6,243)
Research and development expenses	(45,072)	(53,549)	(55,332)	(70,163)	(65,598)
Other income	12,308	27,548	11,706	11,163	6,330
Other gains/(losses) – net	14,963	2,430	10,464	(10,702)	196,804
Operating profit/(loss)	54,151	35,181	(29,994)	116,372	311,918
Finance costs – net	(10,653)	(14,307)	(11,147)	(6,376)	(3,353)
Share of net profit of investments accounted for using the equity method	4,628	298	6,731	9,536	10,660
Profit/(loss) before income tax	48,126	21,172	(34,410)	119,532	319,225
Income tax expense	(15,246)	(7,600)	(379)	(18,893)	(46,601)
Profit/(loss) for the year from continuing operations	32,880	13,572	(34,789)	100,639	272,624
Discontinued operations					
Loss for the period/year from discontinued operations	–	–	(116,514)	(32,895)	–
Profit/(loss) for the year	32,880	13,572	(151,303)	67,744	272,624
Profit/(loss) for the year attributable to:					
Owners of the Company					
– from continuing operations	33,805	16,079	(32,607)	104,237	277,300
– from discontinued operations	–	–	(80,866)	(16,776)	–
	33,805	16,079	(113,473)	87,461	277,300
Non-controlling interests					
– from continuing operations	(925)	(2,507)	(2,182)	(3,598)	(4,676)
– from discontinued operations	–	–	(35,648)	(16,119)	–
	(925)	(2,507)	(37,830)	(19,717)	(4,676)

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2025 RMB'000	As at 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000
Total assets	2,128,003	2,083,635	2,158,972	2,388,763	2,044,777
Total liabilities	1,303,918	1,290,167	1,383,499	1,505,182	1,256,357
Total assets less current liabilities	939,929	894,949	981,285	1,028,998	908,581
Total equity attributable to owners of the Company	822,545	791,409	773,013	896,944	786,584