



KANGLI INTERNATIONAL HOLDINGS LIMITED

康利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6890

Annual Report
2025

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mei Zefeng
Ms. Liu Ping (*Chairman*)
Mr. Zhang Zhihong (*Chief Executive Officer*)
Ms. Lu Xiaoyu
Mr. Xu Chao

Independent Non-executive Directors

Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Cao Cheng

COMPANY SECRETARY

Mr. Chung Yau Tong

AUDIT COMMITTEE

Mr. Lau Ying Kit (*Chairman*)
Mr. Yang Guang
Mr. Cao Cheng

REMUNERATION COMMITTEE

Mr. Cao Cheng (*Chairman*)
Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Zhang Zhihong

NOMINATION COMMITTEE

Ms. Liu Ping (*Chairman*)
Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Cao Cheng

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE PRC)

Wuyi County, Hengshanqiao Town
Wujin District, Changzhou City
Jiangsu Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Nine Queen's Road Central, Central, Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting Council
Ordinance
8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

HONG KONG LEGAL ADVISER

Anthony Siu & Co., Solicitors & Notaries
18/F, Nine Queen's Road Central, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

COMPANY WEBSITE

www.jnppmm.com

LISTING INFORMATION

The Company's ordinary shares are listed on the Main
Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 6890.HK)

Dear Shareholders,

On behalf of the board of directors of KangLi International Holdings Limited ("KangLi International Holdings" or the "Company") and its subsidiaries (collectively known as the "Group"), I am pleased to present the audited annual report for the year ended 31 December 2025 (the "Year") for shareholders' review.

REVIEW

2025 marks the last year for China to implement its "14th Five-Year Plan". Amid complex domestic and international economic conditions, China's national economy marched forward against pressure towards new and excellent development. New achievements have been made in pursuit of high-quality development, with major objectives and tasks successfully fulfilled. The annual gross domestic product (GDP) amounted to RMB140.1879 trillion, reaching the new horizon of RMB140 trillion for the first time. In terms of constant prices, China's GDP expanded 5.0% year-on-year, successfully accomplishing the annual growth target of around 5%. In 2025, leveraging steady macroeconomic growth, the home appliance market exhibited characteristics of "slight overall decline, structural differentiation, policy support and green-intelligent-dominated development". Domestic sales and exports faced different pressures, with significant performance disparities across product categories. Annual production of the three major white goods saw a slight increase of 1.04%. Demand for galvanised steel sheets underwent a moderate growth, with a high in the early stage followed by a low growth. In the first half of the year, the market benefited from the "trade-in" policy. In the second half of the year, policy withdrawal resulted in weakening demand. Market competition intensified due to expanded production capacity across the entire market, thus exerting an impact on the Group's market share.

In 2025, the Group recorded a total revenue from continuing operations of approximately RMB1,617,713,000, representing a decrease of approximately RMB320,533,000 compared to approximately RMB1,938,246,000 recorded in the same period of 2024. The decrease was primarily attributable to reduced product sales volume and a decline in average unit selling price of products.

In terms of the sales volume of all product categories in 2025, the sales volume of hard steel coil was approximately 42,148 tonnes, representing an increase of approximately 6,248 tonnes compared with the same period of 2024. The sales volume of galvanised products was approximately 165,954 tonnes, representing a decrease of approximately 23,846 tonnes or 12.6% compared with the same period of 2024. The sales volume of painted products decreased from approximately 113,100 tonnes in 2024 to approximately 96,720 tonnes, representing a decline of approximately 14.5%. Despite a growth in the sales volume for hard steel coil, the impact remained limited due to the product's small proportion within the Group's principal businesses. Overall, the Group's total sales volume for 2025 decreased from approximately 338,800 tonnes in 2024 to approximately 304,822 tonnes, representing a decline of approximately 10.0%.

With respect to the selling prices of all product categories, the selling prices for hard steel coil, galvanised products and painted products all declined in 2025, representing a decrease of 8.0%, 5.6% and 7.0% respectively compared with the same period of 2024. Despite a decline in the selling price of hard steel coil, an increase in the sales volume resulted in a rise in revenue from sales of hard steel coil to approximately RMB171,922,000 from approximately RMB159,227,000 in 2024. The sales volume and prices of galvanised products and painted products both declined, leading to a decrease in sales revenue from these two product categories of approximately RMB179,240,000 and approximately RMB153,988,000 respectively, compared with the same period of 2024. Consequently, the Group's total sales revenue from all product categories decreased by approximately 16.5% compared to 2024.

In 2025, the unit cost of all product categories decreased by approximately 5.5% compared to 2024. In particular, the unit cost of hard steel coil decreased by approximately 8.6%, galvanised products by approximately 3.5%, and painted products by approximately 4.9%. Despite a decrease in unit costs, a drop in production volumes led to an increase in overall costs. Combined with lower selling prices, this resulted in a decline in our gross profit margin from approximately 10.9% in 2024 to approximately 9.1% in 2025.

CHAIRMAN'S STATEMENT

This year, we endeavoured to maintain stable production, while striving to explore new directions for breakthroughs through steady progress and efforts. We increased investments in research and development alongside technological upgrades, and continuously optimised original production processes through equipment improvements to enhance surface quality of products. During the year, we obtained a total of 2 invention patents and 7 utility model patents, and were recognised as a "Specialized and New Little Giant Enterprise in Jiangsu Province".

As the business failed to meet expectations, we disposed of our property management business in the Philippines. Given the relatively small amount involved in this business, we considered that it would not have any impact on the Group's business.

PROSPECTS

2026 marks the first year of the 15th Five-Year Plan. We are of the view that the home appliance market will exhibit core characteristics of "policy support, structural upgrade, accelerated overseas expansion and modest recovery". It will transition from scale expansion to value enhancement, with rapid emergence of new growth drivers. As for the macro policy, the iteration and upgrade of the trade-in of old goods for new ones policy will drive the widespread adoption of green and intelligent home appliances. Meanwhile, the in-depth implementation of standards governing the safe service life and recycling of appliances will improve the recycling system and generate replacement demand within the market.

As a key player within the white goods industry chain, the Group will remain firmly anchored in the home appliance sector, positioning itself as a core supplier specialising in "high-end, green and customised" solutions. We will continue to focus on the white goods (refrigerators/washing machines/air conditioners) sector. While maintaining a firm foothold in the main segment, we will actively expand into other segments such as kitchen and bathroom appliances, small home appliances, and smart home appliances. The Company will avoid low-quality and low-price competition, and focus on high-value-added, highly certified and highly customised products. We will further optimise our core products, enhance surface quality, and improve physical properties to meet the increasingly stringent requirements of the home appliance market for stamping, bending and forming. At the same time, we will also explore new opportunities for development, such as enhancing the functionality of sheets, including antibacterial and ease of cleaning properties; develop lightweight sheet materials to meet the cost-reduction requirements of home appliance manufacturers; develop more sophisticated surface treatment processes, such as matt finishes and brushed metal effects to better adapt to high-end appliances, thereby further boosting gross profit margins of products. We will continue to provide core customers with better services, and implement flexible production through agile and rational scheduling to further shorten delivery cycles. By establishing in-depth partnerships with leading enterprises within the industry, we will ensure our market share and brand influence.

At present, we have entered an era of rapid AI advancement and intelligent transformation. As a traditional manufacturing enterprise, we will actively pursue intelligent upgrades, such as introducing digital twin and AI-driven quality inspection. This will enhance research and development efficiency, improve product stability, and reduce scrap rates. We are confident that through the collective efforts of all employees of the Group, we will certainly achieve steady growth in business operations of the Group.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our shareholders, investors and business partners for their unwavering trust and support. My gratitude also goes to all of my fellow Board members, the senior management and the employees for their relentless efforts and contribution to the Group. Going forward, we will endeavour to improve the Group's development and seek stable return to the shareholders.

Liu Ping

Chairman

Hong Kong, 27 March 2026

BUSINESS REVIEW

The Group is a leading midstream galvanised steel products manufacturer in the home appliance sector in Jiangsu Province, the PRC. The Group is primarily engaged in the production and sales of hard steel coil, galvanised products and painted products to mainly midstream steel product processors for further processing and to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and water heaters.

For the year ended 31 December 2025, the Group recorded a revenue from its principal business amounting to approximately RMB1,617,713,000, representing a decrease of RMB320,533,000 compared with that of the corresponding period of 2024.

For the year ended 31 December 2025, the sales volume of all categories of products totalled 304,822 tonnes, representing a decrease of 33,978 tonnes or 10.0% as compared with approximately 338,800 tonnes for the year ended 31 December 2024. During the review period, the sales volume of hard steel coil, galvanised products and painted products was approximately 42,148 tonnes, 165,954 tonnes and 96,720 tonnes, respectively, accounting for approximately 13.8%, 54.5% and 31.7% of the total sales volume. The sales volume of hard steel coil increased by approximately 17.4%. However, due to a decrease of approximately 8.0% in average unit selling price, total sales revenue from hard steel coil increased by only approximately 8.0%. The sales volume of the unpainted galvanised steel products decreased by approximately 23,846 tonnes and the average unit selling price decreased by approximately RMB304 per tonne, resulting in a decrease in revenue from sales of unpainted galvanised steel products to approximately RMB846,348,000. Similarly, due to decreases in both the unit selling price and sales volume, sales revenue from painted galvanised steel products also declined to approximately RMB599,443,000.

In 2025, the home appliance market benefited from the “trade-in of old goods for new ones” policy in the first half of the year, while the withdrawal of the policy led to weaker demand in the second half of the year. Due to weak market demand and the expansion of production capacity for hot-dipped unpainted galvanised and painted galvanised products used in home appliances, market competition intensified, resulting in a decline in sales volume of our products. The reduction in production volume also led to an increase in total production cost, which further reduced our gross profit margin.

As the Group’s property management business in the Philippines failed to meet expectations, and taking into account a number of uncertainties, the Group disposed of the relevant business in March 2025. As the revenue from this segment accounts for a very limited portion of the Group’s total revenue, there was no adverse impact on the Group’s business as a whole.

FINANCIAL REVIEW

A comparison of the financial results of the Group in 2025 and 2024 is set out as follows.

	Year ended 31 December	
	2025	2024
Key financial information and performance ratios for continuing operations		
– Revenue (RMB'000)	1,617,713	1,938,246
– Gross profit (RMB'000)	147,188	211,827
– Gross profit margin	9.1%	10.9%
– Profit for the year (RMB'000)	40,248	92,445
– Net profit margin	2.5%	4.8%
– Earnings per share (RMB cents)	6.64	15.25

	At 31 December	
	2025	2024
Key performance ratios		
– Current ratio	1.9	1.9
– Gearing ratio	0.5	0.4

Revenue

Revenue from continuing operations of the Group is primarily generated from the sale of hard steel coil and galvanised steel products. For the year ended 31 December 2025, the total revenue from continuing operations of the Group amounted to approximately RMB1,617,713,000, representing a decrease of approximately 16.5% from approximately RMB1,938,246,000 for the year ended 31 December 2024. The decrease in the Group's revenue was primarily attributable to the decrease in both the overall sales volume and average selling prices of our products. The overall sales volume for the year ended 31 December 2025 was approximately 304,822 tonnes, representing a year-on-year decrease of approximately 10.0%. The overall average selling price of our products for the current year recorded a year-on-year decrease of approximately 7.2%.

An analysis of the Group's revenue, sales volume and average selling price by products in 2025 and 2024 is as follows:

	Year ended 31 December						Change		
	2025			2024			Increase/(Decrease)		
	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Cold Rolled Steel Products (Continuing operations)									
Hard steel coil	171,922	42,148	4,079	159,227	35,900	4,435	8.0%	17.4%	(8.0)%
Galvanised steel products	1,445,791	262,674	5,504	1,779,019	302,900	5,873	(18.7)%	(13.3)%	(6.3)%
– unpainted galvanised steel products	846,348	165,954	5,100	1,025,588	189,800	5,404	(17.5)%	(12.6)%	(5.6)%
– painted galvanised steel products	599,443	96,720	6,198	753,431	113,100	6,662	(20.4)%	(14.5)%	(7.0)%
Sub-total (Continuing operations)	1,617,713	304,822	5,307	1,938,246	338,800	5,721	(16.5)%	(10.0)%	(7.2)%
Provision of property management services (Discontinued operation)	1,029			6,165			(83.3)%		
Total	1,618,742			1,944,411			(16.7)%		

Gross profit and gross profit margin

For the year ended 31 December 2025, gross profit from continuing operations of the Group amounted to approximately RMB147,188,000 (2024: approximately RMB211,827,000). Overall gross profit margin from continuing operations decreased from approximately 10.9% in 2024 to approximately 9.1% in 2025. An analysis of the Group's gross profit, proportion of total gross profit and gross profit margin by products in 2025 and 2024 is as follows:

	Year ended 31 December					
	2025			2024		
	Gross profit RMB'000	Proportion %	Gross profit margin %	Gross profit RMB'000	Proportion %	Gross profit margin %
Cold Rolled Steel Products (Continuing operations)						
Hard steel coil	14,184	9.6%	8.3%	12,185	5.7%	7.7%
Galvanised steel products	133,004	90.1%	9.2%	199,642	93.4%	11.2%
– unpainted galvanised steel products	76,970	52.1%	9.1%	113,948	53.3%	11.1%
– painted galvanised steel products	56,034	38.0%	9.3%	85,694	40.1%	11.4%
Sub-total (Continuing operations)	147,188	99.7%	9.1%	211,827	99.1%	10.9%
Provision of property management services (Discontinued operation)	389	0.3%	37.8%	1,898	0.9%	30.8%
Total	147,577	100.0%	9.1%	213,725	100.0%	11.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in gross profit during 2025 was mainly due to decrease in both the overall sales volume and the average selling price of our products. The decrease in sales volume reduced the utilization rate of our production facilities to generate revenue to cover the production related sunk costs which in turn reduced our gross profit margin.

Other income

Other income from continuing operations of the Group for the year ended 31 December 2025 amounted to approximately RMB2,869,000 (2024: RMB11,747,000). The balance comprises mainly interest income, government grants and foreign exchange gain or loss. The significant decrease in the current year is mainly due to decrease in both government grants and foreign exchange gain.

Selling expenses

Selling expenses of the Group decreased from approximately RMB69,834,000 in 2024 to approximately RMB65,738,000 in 2025. The decrease was mainly due to decrease in transportation expenses.

Administrative expenses

Administrative expenses from the continuing operations of the Group decreased from approximately RMB28,249,000 in 2024 to approximately RMB25,729,000 in 2025.

Finance costs

Finance costs from the continuing operations of the Group decreased from approximately RMB18,244,000 in 2024 to approximately RMB13,601,000 in 2025. The decrease was mainly due to decrease of interest expenses on bank loans as a result of decrease in bank loan interest rates during the year.

Profit before taxation

Profit before taxation from the continuing operations of the Group decreased from approximately RMB107,949,000 in 2024 to approximately RMB44,569,000 in 2025.

Income tax

Income tax from continuing operations of the Group decreased from approximately RMB15,504,000 for the year ended 31 December 2024 to approximately RMB4,321,000 for the current year. Such decrease was mainly due to the combined effect of: (1) decrease of profit before taxation for the current year; and (2) no withholding tax related to retained profits to be distributed from a PRC subsidiary was accrued in the deferred taxation for the current year.

Profit for the year from the continuing operations

As a result of the foregoing, profit for the year from the continuing operations of the Group decreased from approximately RMB92,445,000 in 2024 to approximately RMB40,248,000 in 2025. Net profit margin from continuing operations of the Group decreased from approximately 4.8% in 2024 to approximately 2.5% in 2025.

Discontinued operation

The management decided to focus on the Group's key competencies in the future and disposed of the property management services business in the Philippines in the first quarter of 2025. The property management services business was sold to an independent third party at a cash consideration of RMB1,638,000. For the year ended 31 December 2025, the property management services business recorded a net loss of RMB194,000 before the disposal. The disposal of the property management services business does not have any material impact on the Group's overall business and financial conditions.

Liquidity and financial resources

As at 31 December 2025, the Group had approximately RMB211,362,000 (2024: approximately RMB239,102,000) cash at bank and on hand. As at 31 December 2025, the restricted deposit placed at banks as collaterals for bills issued and bank loans by the Group amounted to approximately RMB87,070,000 (2024: approximately RMB96,716,000). The Board will ensure sufficient liquidity to meet its matured liabilities.

Net current assets

The Group recorded net current assets of approximately RMB652,521,000 as at 31 December 2025 (2024: RMB633,026,000). The current ratio, calculated by dividing the current assets by current liabilities, was approximately 1.9 as at 31 December 2025 (2024: approximately 1.9). The current ratio in 2025 and 2024 indicated that the Group's financial position is healthy.

Borrowings and pledge of assets

As at 31 December 2025, the Group had bank loans amounting to approximately RMB414,322,000 (2024: approximately RMB349,100,000), of which approximately RMB142,600,000 was secured by the Group's property, plant and equipment or restricted bank deposits and approximately RMB3,572,000 was secured by the Group's trade and bills receivables. Among the bank loans, RMB385,522,000 is repayable within one year or on demand and RMB28,800,000 is repayable after one year but within two years.

The Group's gearing ratio, calculated by dividing total bank and other loans by total equity of the Group, was approximately 0.5 and 0.4 as at 31 December 2025 and 2024 respectively.

Capital structure

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and bank facilities.

Contingent liabilities

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

Financial risks

The Group is exposed to various financial risks, including foreign currency risk, interest rate risk and credit risk in the normal course of its business.

– Foreign currency risks

Most of the Group's businesses are settled in RMB. However, the Group's sales to overseas customers are settled in foreign currencies. In 2025, approximately 91.9% of the Group's revenue was settled in RMB and approximately 8.1% was settled in foreign currencies.

Exchange rate fluctuations will affect sales revenue settled in foreign currencies, which in turn may have adverse effects on the Group. The Group does not hedge against foreign currency risk by using any derivative contracts. The management of the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency risk should the need arise.

– Interest rate risks

The Group's interest rate risks primarily arise from fixed rate bank deposits and borrowings. The Group currently does not use any derivative contracts to hedge against its interest rate risks.

– Credit risks

The Group's credit risks primarily arise from trade and other receivables.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the disposal of the property management services business in the Philippines, details of which were disclosed in this report, the Group did not have material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2025.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 564 employees, including executive Directors. The employees' salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include performance bonus, medical insurance, mandatory provident fund scheme, local municipal government retirement scheme and education subsidy to encourage continuous professional development of staff.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Mei Zefeng (梅澤鋒先生), aged 48, was appointed as our executive Director on 21 December 2017.

Mr. Mei graduated from Nanjing University (南京大學), the PRC in July 2000 with an undergraduate diploma in Electronic Engineering. He also obtained a postgraduate diploma of marketing management from University of Derby, the United Kingdom in November 2004. As a founder of our Group, Mr. Mei had been serving as the general manager and an executive director of Jiangnan Precision from July 2003 to December 2007 and from July 2003 to September 2017, respectively. He has been appointed as the chairman of Jiangnan Precision since October 2017. Mr. Mei has been primarily responsible for overall strategic planning, operations and management of our Group.

Mr. Mei has over 23 years of experience in the steel processing industry. He has been serving as the chairman of Jiangnan Industrial Group since January 2007. He has been appointed as the supervisor of Jiangnan Rural Commercial Bank (江南農村商業銀行), a company principally engaged in banking and financial services since January 2010. Mr. Mei received numerous awards in the past including “Outstanding Entrepreneur” of Wujin District (武進區“優秀企業家”), Star Industrial Entrepreneur of Changzhou City (常州市工業明星企業家) and Top 10 Outstanding Young Entrepreneur of Jiangsu Province (江蘇省十大杰出青年企業家).

Mr. Mei is the spouse of Ms. Liu Ping, Chairman of the Company, and the cousin-in-law of Mr. Xu, an executive director of the Company.

Ms. Liu Ping (劉萍女士), aged 46, is our Chairman and was appointed as our executive Director on 21 December 2017. She is also the chairman of the Nomination Committee.

Ms. Liu graduated from Jinling Vocational Institute (金陵職業大學) (currently known as Jinling Institute of Technology (金陵科技學院)), the PRC in July 2001 with a diploma in Business Administration. She further obtained a bachelor’s degree of Business (International Business) from Queensland University of Technology, Australia in 2004. Ms. Liu joined our Group in October 2005 and served as the chief financial officer of Jiangnan Precision from October 2005 to September 2009. She has been appointed as the president of Jiangnan Precision since October 2009. Ms. Liu has been primarily responsible for overall operations and management of our Group. Ms. Liu has over 20 years of experience in financial control and enterprise management.

Ms. Liu is the spouse of Mr. Mei Zefeng, an executive director of the Company, and the cousin of Mr. Xu Chao, an executive director of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Zhihong (張志洪先生), aged 54, is our Chief Executive Officer and was appointed as our executive Director on 18 May 2018. He is also a member of the Remuneration Committee.

Mr. Zhang graduated from Shandong Continuing Education College of Technology (山東科技進修學院), the PRC with a degree in Industrial Electrification Technology (工業電氣化技術) in July 2011 through distance learning. Mr. Zhang joined our Group in May 2007 and served as the vice president of production and the head of procurement of Jiangnan Precision from May 2007 to July 2012 and from July 2012 to June 2014, respectively. He has been the general manager of Jiangnan Precision since June 2014 and is currently a director of Jiangnan Precision. Mr. Zhang is mainly responsible for production and operations management of our Group.

Mr. Zhang has over 26 years of experience in production and operations management in plastic and aluminium profile industry. Prior to joining our Group, Mr. Zhang worked as the factory manager in Jiangnan Chuangjia from January 1999 to June 2002. He also worked as the factory manager in Changzhou Huacai Construction Material Co., Limited (常州華彩建材有限公司), a company principally engaged in production and sales of aluminium alloy profile, from July 2002 to April 2007.

Ms. Lu Xiaoyu (陸小玉女士), aged 50, was appointed as our executive Director on 18 May 2018.

Ms. Lu was awarded a bachelor's degree in Currency and Banking (貨幣銀行) from Nanjing Agricultural University (南京農業大學), the PRC in July 1999. Ms. Lu joined our Group in January 2005 as the manager of finance department (財務科長) of Jiangnan Precision and became the chief financial officer (財務總監) of Jiangnan Precision in January 2017. Ms. Lu is mainly responsible for overall financial management of our Group.

Prior to joining our Group, Ms. Lu worked as a cashier in Jiangnan Industrial Group from September 1999 to December 2004.

Mr. Xu Chao (許潮先生), aged 38, was appointed as our executive Director of our Company on 18 May 2018.

Mr. Xu was awarded a bachelor's degree in Technology and Instrument of Measurement and Control (測控技術與儀器) from Nanjing Normal University (南京師範大學), the PRC in July 2010. Mr. Xu joined Jiangnan Precision in September 2010 as a clerk at the human resources department. Mr. Xu was the head of sales of Jiangnan Precision from July 2011 to July 2017. He has been appointed as the secretary of the board of directors and assistant general manager of Jiangnan Precision since August 2017. Mr. Xu is mainly responsible for general administration of our Group.

He is the cousin of Ms. Liu Ping, Chairman of the Company, and the cousin-in-law of Mr. Mei Zefeng, an executive director of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Lau Ying Kit (劉英傑先生), aged 52, was appointed as an independent non-executive Director on 20 December 2021. Mr. Lau is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Lau is currently the finance and investor relations director and company secretary of Dalipal Holdings Limited (HKEX: 1921) and he is also an independent non-executive director of Kingdom Holdings Limited (HKEX: 528), United Strength Power Holdings Limited (HKEX: 2337), Sinco Pharmaceuticals Holdings Limited (HKEX: 6833) and Shenzhen Edge Medical Co. Ltd. (HKEX: 2675), and a director of KP3993 Resources Inc. (TSXV: KPEN.P).

Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a master's degree in finance from the City University of Hong Kong. He has extensive experience in financial and accounting in China and Hong Kong.

Mr. Yang Guang (楊廣先生), aged 85, was appointed as our independent non-executive Director on 25 October 2018. Mr. Yang is also a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Yang completed a 5-year undergraduate professional programme in Shanghai Jiao Tong University (上海交通大學) in July 1963. Mr. Yang was appointed as an expert of the expert committee of China International Engineering Consultation Company (中國國際工程諮詢公司) in September 2006. Mr. Yang is a professor-level senior engineer (教授級高級工程師) in the PRC.

Mr. Yang has over 20 years of experience in steel manufacturing and processing industry. From May 1979 to May 1991, Mr. Yang worked in Shanghai Baosteel Hot Rolled Factory (上海寶鋼熱軋廠) and his last position was factory manager. Then, Mr. Yang joined Baosteel Group Corporation (寶鋼集團) in May 1991. From May 1991 to February 1993, Mr. Yang worked as director of production department (生產部部長) for overall production management and from February 1993 to May 2001, he worked as deputy general commander of project headquarters (工程指揮部) for planning, design and importation of overseas technology and equipment.

Mr. Cao Cheng (曹成先生), aged 48, was appointed as our independent non-executive Director on 15 July 2022. Mr. Cao is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Cao obtained his bachelor's degree in foreign trade English (外貿英語) from Beijing-U.S.A. College of English* (北京美國英語語言學院), China in 2000. He further obtained his master's degree in marketing management from University of Derby, the United Kingdom in 2003. In June 2024, Mr. Cao obtained a degree in Executive MBA (EMBA) from City University of Hong Kong, Hong Kong.

Mr. Cao has extensive experience in the steel-related industry. From November 2004 to November 2007, he served as a senior account manager of the commercial and corporate finance department of Bank of China (Hong Kong) Limited in Hong Kong, primarily responsible for the credit and financing of top steel companies in China. From December 2007 to March 2009, he worked as a deputy general manager of Wuxi Xuelang Steel Group Co., Ltd.* (無錫市雪浪鋼鐵集團有限公司) where he was primarily responsible for the company's financing, credit and overseas business. From April 2009 to March 2015, Mr. Cao was a director of Zhongxinda Resources Co., Ltd.* (中信達資源有限公司) in Hong Kong, mainly engaged in the trading business of renewable resources. From April 2015 to May 2020, Mr. Cao rejoined Wuxi Xuelang Steel Group Co., Ltd.* (無錫市雪浪鋼鐵集團有限公司) and assisted in its restructuring, mergers and acquisitions with Shanxi Hejinjin Coking Co., Ltd.* (山西河津津鑫焦化有限公司), a company in China primarily engages in the coking business.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wu Xiaojun (吳曉俊先生), aged 52, has been the vice president of sales and the supervisor of sales department of Jiangsu Province at Jiangnan Precision since August 2016. Mr. Wu is mainly responsible for sales strategies and management of our Group.

Mr. Wu graduated from Wujin County Hutang Vocational School (武進縣湖塘職業中學), the PRC with a high school diploma in Machinery in July 1993. Mr. Wu joined our Group in July 2006 and served as Jiangnan Precision's sales representative of Guangdong region from July 2006 to March 2011. He was a supervisor of sales department in Jiangsu region of Jiangnan Precision from March 2011 to July 2016.

Mr. Wu has over 20 years of experience in the manufacturing industry, and prior to joining our Group, he had extensive working experience in production management, material procurement and product sales.

Mr. Wu Weijian (吳偉健先生), aged 48, has been the vice president of production at Jiangnan Precision since January 2020. Mr. Wu is mainly responsible for production management of the Group.

Mr. Wu graduated from Changzhou Institute of Industrial Technology of China (中國常州工業技術學院) in July 2000 with a college diploma in Information Technology and Computer Application (信息管理與計算機應用). Mr. Wu joined the Group in February 2004. He served as supervisor of galvanizing workshop (鍍鋅車間主任) from December 2013, supervisor of painted slitting and cutting workshop (彩塗剪切車間主任) from June 2015, and was promoted to director of production department (生產部部長) in 2016.

The board (the “Board”) of directors (the “Directors”) of KangLi International Holdings Limited (the “Company”) is pleased to present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in production and sales of unpainted and painted galvanized steel products to midstream steel product processors and cold rolled steel products to home appliance manufacturers. The activities of the principal subsidiaries are set out in note 14 to the consolidated financial statements. Save for the disposal of property management services business during the year, there were no significant changes in the nature of the Group’s activities during the year.

A review of the business of the Group during the year ended 31 December 2025, including an analysis of the Group’s performance during the year using financial key performance indicators and an indication of likely future developments in the Group’s business are set out under the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” in this annual report. This discussion forms part of this Directors’ Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised below:

- **Risk of uncertain demand for our products**

Our products are primarily sold to home appliance manufacturers for production of their end products and midstream steel product processors, the majority of which do not possess the ability to perform hot-dip galvanization, for further processing into unpainted galvanized steel products in sheet form and painted galvanized steel products. Demand for the end products such as refrigerators, washing machines and ovens manufactured and sold by our customers to the end users drive demand for our cold rolled steel products while frequent end product upgrades and innovation in the home appliance industry propel end users’ demand for new products.

However, the sales of the end products manufactured and sold by our customers, which means the demand of our products, depends mainly on global economic environment, especially the trade war between the US and the PRC, China’s real estate market and government policies in relation to the promotion of the home appliance industry as well as the pace of introduction of new products in the home appliance industry.

To cope with the risk, in addition to maintaining long term business relationships with most of its major customers, the Group commits to offering high quality products with strong production know-how to increase its competitiveness if the market slows down.

REPORT OF THE DIRECTORS

- **Price fluctuation risk of raw materials**

Hot rolled steel coils are the major direct raw materials for the production of the Group. The purchase price of hot rolled steel coils is affected by policies and economic situation.

To cope with the risk, the Group adopts a “cost-plus” pricing model whereby price quotations provided to our customers are reflective of our cost of production together with a mark-up. The extent of mark-up is determined with reference to, amongst others, the market demand, anticipated market trends, historical sales data, fluctuations of the raw materials price, current number of purchase orders, production capacity, the amount of the customer’s purchase order, our relationship with the customer and the prices of our competitors’ products. Further, we usually place back-to-back orders to suppliers upon receipt of orders from our customers.

- **Risk of shortage of supply of raw materials**

Hot rolled steel coils are the most important raw materials for our production. Reliable and stable supply of steel raw materials is crucial to our business operations. If there is any interruption or shortage of supply of any of our hot rolled steel coils, we may not be able to meet the demands of our customers in a timely manner.

To cope with the risk, the Group maintains long term business relationships with most of its major suppliers. Besides, the procurement team of the Group continues to identify alternative suppliers for high quality raw materials in order to ensure the supply of raw materials for production will not be affected.

- **Risks of stringent environmental laws and regulations**

The Group is subject to various national and local PRC environmental laws and regulations which impose standards on the emission and treatment of pollutants created during our production process, and are required to obtain environmental protection assessment approval and acceptance such as the Pollutant Discharge License from the relevant PRC Government authorities for the operation of our production facility. As the PRC is experiencing substantial issues with environmental pollution, environmental laws and regulations may become more stringent over time. As a result, we may incur more costs and devote more resources to be in full compliance with these laws and regulations.

To cope with the risk, the Group will closely monitor the development of the relevant laws and regulations and consult our PRC legal advisers to ensure compliance with the relevant environmental laws and regulations. Besides, trainings on the relevant environmental protection inspection requirements will be provided to the staff in charge with the assistance of our PRC legal advisers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out under the section headed “Corporate Governance Report” of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out under the section headed “Environmental, Social and Governance Report” of this annual report. This discussion forms part of this Directors’ Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

RELATIONSHIP WITH KEY PARTIES

The Group's success depends on, amongst other matters, the support from key parties which comprises of the customers, suppliers and employees.

- **Customers**

The Group has committed to providing high quality products and satisfactory services to each customer according to their requirements and production plan in order to maintain our brand competitiveness. The Group maintains close contact with the customers and regularly reviewed customers' requirements and feedback. The majority of our top customers have established business relationships with us for approximately 14 to 20 years.

- **Suppliers and subcontractors**

The Group has established stable and long-term relationships with its major hot rolled steel coils suppliers. We maintain an approved suppliers list for suppliers who have passed our assessment criteria and any supplier who fails to meet our requirements will be removed from the approved suppliers list. Majority of our top suppliers have established business relationships with the Group for approximately 11 to 21 years.

We engage subcontractors to supplement our production capacity and minimise our transportation cost. We have subcontracted the cutting and slitting process of a portion of our hot-dip galvanized steel products to subcontractors who are located in closer proximity to our customers, so as to allow for a quicker response to our customers' orders and delivering our products to those customers in the subcontractors' proximity and in small batches. Our Group has approximately 7 to 10 years of relationship with our subcontractors.

- **Employees**

The Group regards its employees as one of its most important and valuable assets. We provide competitive remuneration package, appropriate incentives to employees. We also provide appropriate training to employees with outstanding performance for career advancement. We also place significant emphasis in establishing a safe and healthy work environment for our employees. We have established a set of occupational health and safety procedures, quality plan and procedures.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 and the Group's state of affairs as at that date are set out in the consolidated financial statements in this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2025 are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24(b) to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 24(a) to the consolidated financial statements and details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 71 of this annual report.

Under the Companies Act of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date of which the distribution or dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. As of 31 December 2025, the Company's reserves available for distribution amounted to approximately RMB164,327,000.

FINANCIAL SUMMARY

A summary of the condensed consolidated results and financial positions of the Group for the past five financial years is set out on page 122 of this annual report.

DIRECTORS

The Directors who held office during the year ended 31 December 2025 and up to the date of this annual report are:

Executive Directors:

Mr. Mei Zefeng
Ms. Liu Ping (*Chairman*)
Mr. Zhang Zhihong (*Chief Executive Officer*)
Ms. Lu Xiaoyu
Mr. Xu Chao

Independent non-executive Directors:

Mr. Lau Ying Kit
Mr. Yang Guang
Mr. Cao Cheng

Pursuant to Article 84 of the Articles of Association, at each Annual General Meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. Accordingly, Mr. Mei Zefeng, Mr. Xu Chao and Mr. Lau Ying Kit shall retire from office as Directors at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

DIRECTOR'S SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years subject to re-election as and required under the Articles of Association. Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years subject to re-election as and required under the Articles of Association. Either party has the right to give not less than three months' written notice to terminate the appointment.

None of the Directors has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CHANGE IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") the change in information of directors during the year ended 31 December 2025 and up to the date of this annual report are as follows:

Mr. Cao Cheng has renewed his letter of appointments for another terms of three years with effect from 15 July 2025.

Mr. Lau Ying Kit was appointed as a director of KP3993 Resources Inc. (TSXV: KPEN.P) in October 2025 and Mr. Lau was appointed as an independent non-executive director of Shenzhen Edge Medical Co., Ltd. (HKEX: 2675) in December 2025.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of its independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2025.

INDEMNITY AND DIRECTORS' LIABILITIES INSURANCE

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate insurance covering the potential legal actions against its Directors and officers.

MANAGEMENT CONTRACTS

Save for service contracts of the Directors, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or existed during the year ended 31 December 2025.

DEED OF NON-COMPETITION

Newrich Limited, Star Century Corporate Limited, Mr. Mei Zefeng and Ms. Liu Ping (collectively the “Controlling Shareholders”) have entered into the deed of non-competition dated 25 October 2018 (the “Deed”) in favour of the Company.

Pursuant to the Deed, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company that they shall not, and shall procure that none of their respective close associates and/or companies controlled by them (other than members of the Group) shall, during the period that the shares of the Company remain listed on the Stock Exchange or the Controlling Shareholders and their respective associates, individually or jointly, remain to be deemed as controlling shareholder and/or a Director of the Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, for profit or not, among other things, carry on, engage, invest, be interested or involved or engaged in, acquire or hold any rights or interest in any business of manufacturing and sales of cold rolled steel products in the PRC and such other parts of the world where any member of the Group may operate from time to time or other related business which the Group may undertake from time to time after the listing of the Company. The Deed does not apply to their interest in the shares or other securities of any members of the Group and their interest in the shares of a company other than our Group provided that such shares are listed on a recognised stock exchange and the aggregate interest of the relevant Controlling Shareholders and its/his close associates do not amount to more than 5% of the relevant share capital of the company concerned (the “Relevant Company”) provided that the shareholding of any one holder in the Relevant Company is more than that of our Controlling Shareholder and its/his close associates in aggregate at any time and the total number of the representatives of the Controlling Shareholder or its/his close associates on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company.

The Company has received an annual declaration in favour of the Company from the Controlling Shareholders that the Controlling Shareholders have fully complied with their obligations under the Deed for the year ended 31 December 2025. The independent non-executive Directors have reviewed, based on the information available, and made the necessary enquiries to the Controlling Shareholders on the Deed and were satisfied that the Deed has been complied with and has been effectively enforced during the year.

CONTROLLING SHAREHOLDERS’ AND DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save and except for the interests of our Controlling Shareholders in our Company, during the year ended 31 December 2025, neither our Controlling Shareholders nor any of our Directors and their respective close associates (other than members of our Group) has any interest in a business, apart from the business of our Group, which competes or likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2025 was the Company, its holding company, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2025, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (the "SFO")), which were required (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, were as follows:

Interests in Shares and Underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng (Note 3)	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping (Note 4)	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%

Notes:

- (1) The Letter "L" denotes our Directors' long position in the Shares.
- (2) The percentage is calculated based on the total number of issued shares as at 31 December 2025.
- (3) Mr. Mei Zefeng, being the sole director of Newrich Limited, is the sole shareholder of Newrich Limited which holds 343,220,000 Shares. Therefore, Mr. Mei Zefeng is deemed to be interested in Newrich Limited's interest in the Shares pursuant to the SFO. In addition, Mr. Mei Zefeng is the spouse of Ms. Liu Ping. Therefore, Mr. Mei Zefeng is deemed to be interested in Ms. Liu Ping's interest in the Shares pursuant to the SFO.
- (4) Ms. Liu Ping, being the sole director of Star Century Corporate Limited, is the sole shareholder of Star Century Corporate Limited which holds 85,500,000 Shares. Therefore, Ms. Liu Ping is deemed to be interested in Star Century Corporate Limited's interest in the Shares pursuant to the SFO. In addition, Ms. Liu Ping is the spouse of Mr. Mei Zefeng. Therefore, Ms. Liu Ping is deemed to be interested in Mr. Mei Zefeng's interest in the Shares pursuant to the SFO.

Save as disclosed above, as at 31 December 2025, so far as was known to the Directors and chief executives of the Company, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2025, to the best knowledge of the Directors, the following interests and short position of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Mei Zefeng	Interest of controlled corporation	343,220,000 (L)	56.61%
	Interest of spouse	85,500,000 (L)	14.10%
Ms. Liu Ping	Interest of controlled corporation	85,500,000 (L)	14.10%
	Interest of spouse	343,220,000 (L)	56.61%
Newrich Limited	Beneficial owner	343,220,000 (L)	56.61%
Star Century Corporate Limited	Beneficial owner	85,500,000 (L)	14.10%

Notes:

- (1) The Letter "L" denotes our Directors' long position in the Shares.
- (2) The percentage is calculated based on the total number of issued shares as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, the Directors have not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company pursuant to Division 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 the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2025 and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year ended 31 December 2025.

SHARE OPTIONS

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolution passed by its shareholders on 25 October 2018.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the shares in order to capitalise on the benefits of the options granted.

The terms of the Share Option Scheme should be subject to the provisions of Chapter 17 of the Listing Rules. Details of the principal terms of the Share Option Scheme (as adopted on 25 October 2018) are set out below:

- The Directors may, at its absolute discretion, make an offer to grant options to any employee of the Group, any non-executive Directors (including independent non-executive Directors), any suppliers, any customers, any adviser or any participants who shall be determined by the Directors from time to time on the basis that the Directors’ opinion as to his contribution to the development and growth of the Group.
- The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (i.e. 60,625,200 Shares) (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised.
- The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders’ approval with the relevant participant and its associates abstaining from voting.
- The offer of a grant of share options may be accepted within 21 days from the date the offer together with the payment of nominal consideration of HK\$1 by the grantee. The period (the “Option Period”) within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

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- The subscription price will be determined by the Board at the time the grant of the options is made and shall not be less than the highest of:
 - (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;
 - (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and
 - (iii) the nominal value of a share.
- The Share Option Scheme is valid and effective for a period of ten years commencing on 25 October 2018 (being the date of adoption of the Share Option Scheme).

As at 31 December 2025, there was no option outstanding, granted, cancelled, exercised or lapsed.

The total number of share options available for grant under the Share Option Scheme as at 1 January 2025 and 31 December 2025 were both 60,000,000 shares and 60,000,000 shares, respectively.

The total number of shares available for issue under the Share Option Scheme as at the date of this annual report is 60,000,000 shares, representing approximately 9.9% of the issued share capital of the Company (excluding treasury shares) as at the date of this annual report.

The Share Option Scheme will expire on 24 October 2028. No options have been granted under the Share Option Scheme as at 31 December 2025, or as at the date of this annual report and therefore, there was no Share may be issued in respect of Share Options granted under all schemes of the Company during the year ended 31 December 2025, being 0% of the weighted average number of shares of the relevant class in issue for the year 2025.

The remaining life of Share Option Scheme is 2 years and 7 months.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following transactions and arrangements with connected persons (as defined in the Listing Rules) of the Company which are required to be reported in this annual report in compliance with the disclosure requirements under Chapter 14A of the Listing Rules:

Connected Transactions

The following transactions of the Group constituted Connected Transactions of the Company for the year ended 31 December 2025.

1. Provision of financial assistance to Jiangsu Jiangnan Tiehejin Co., Limited* (江蘇江南鐵合金有限公司) ("Jiangnan Tiehejin")

On 28 February 2023, Jiangsu Jiangnan Precision Metal Material Co., Limited (江蘇江南精密金屬材料有限公司) ("Jiangnan Precision" or the "Lender"), Jiangnan Tiehejin (the "Borrower") and Mr. Mei Zefeng ("Mr. Mei ZF" or the "Guarantor") entered into a loan agreement (the "2023 Loan Agreement"), pursuant to which the Lender granted the loan in the principal sum of RMB20,000,000 to the Borrower for a term of 3 years (the "Loan"). The interest rate under the 2023 Loan Agreement will be 5.5% per annum, which is determined with reference to the Group's cost of capital in the range of approximately 4.0% to 4.5% at the time of entering the Loan Agreement.

Jiangnan Tiehejin is owned as to approximately 90.0% by Mr. Mei ZF and approximately 10.0% by Ms. Chen Yunjuan, mother of Mr. Mei ZF. Mr. Mei ZF is one of the Controlling Shareholders and an executive Director of the Company.

The Loan is secured by the personal guarantee of the Guarantor, pursuant to which the Guarantor agreed to guarantee to Jiangnan Precision the payment obligation of Jiangnan Tiehejin under the 2023 Loan Agreement.

If Jiangnan Precision chooses to exercise the Property Acquisition Option (as defined below) and Jiangnan Precision and Jiangnan Tiehejin have formally entered into a “commercial-housing pre-sale contract” 《商品房預售合同》 for the acquisition of the Property (as defined below), all interests under the 2023 Loan Agreement will be waived, and the principal amount shall be used to offset part of the purchase price for the acquisition of the Property (as defined below) or in full in case the final purchase price of the Property (as defined below) is higher than the outstanding principal amount of the Loan.

As at 31 December 2025, the Loan to Jiangnan Tiehejin is not yet repaid and recorded as Loan to a related party in the balance sheet. On 27 February 2026, a renewal agreement was entered into to extend the Loan for a period of three years (“2026 Loan Agreement”). For further details of the transactions, please refer to the circular of the Company dated 6 March 2026.

2. Property acquisition option

The 2023 Loan Agreement contains a condition precedent that the Lender and the Borrower having entered into an option agreement (the “2023 Option Agreement”), whereby the Lender was granted a property acquisition option (the “Property Acquisition Option”) at nil consideration, to acquire two storeys (the “Property”) of a new office building (the “New Office Building”) proposed to be constructed on the land parcel situated at north of Dongfang Second Road, west of Dongshang Road, Lucheng Street, Changzhou Economic Development Zone, Changzhou City, Jiangsu Province, the People’s Republic of China (the “Land”) based on the final price under the “commercial housing pre-sale contract”, subject to the fulfillment of all the conditions precedent in the Loan Agreement.

It is in Jiangnan Precision’s sole discretion whether to exercise the Property Acquisition Option under the Option Agreement. The maximum purchase price of the Property upon the exercise of the Property Acquisition Option is capped at RMB22,000,000. The validity of the Property Acquisition Option is 5 years from the date of the 2023 Option Agreement. In the event that Jiangnan Tiehejin cannot obtain the “Housing Pre-sale License” (《房屋預售許可證》) for pre-sale of the Property within the 5-year period, the validity of the 2023 Option Agreement shall extend to 2 months after Jiangnan Tiehejin having obtained such necessary approval, and that the parties shall proceed with the procedures for sale and purchase of the Property in accordance with the terms of the 2023 Option Agreement. Unless the Property Acquisition Option is exercised or otherwise agreed in writing by the parties, the Property Acquisition Option shall automatically expire after the end of the validity period.

Pursuant to the 2026 Loan Agreement, one of the conditions precedent to the renewal of the Loan include Jiangnan Precision and Jiangnan Tiehejin having entered into a new option agreement (the “2026 Option Agreement”). The 2026 Option Agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 27 February 2026, pursuant to which the 2023 Option Agreement will be terminated and the Property Acquisition Option will be granted to Jiangnan Precision, at nil consideration, to acquire the Property with reference to the final price under the “commercial-housing pre-sale contract”, subject to the fulfillment of all the conditions precedent therein. For further details, please refer to the circular of the Company dated 6 March 2026.

Continuing Connected Transaction

The following transaction of the Group constituted Continuing Connected Transaction of the Company for the year ended 31 December 2025

Continuing connected transaction with Changzhou Nankai Trading Co., Ltd.* (常州南凱物貿有限公司) (“Nankai Trading”)

On 10 November 2023, Jiangsu Jiangnan Precision Metal Material Co., Limited (江蘇江南精密金屬材料有限公司) (“Jiangnan Precision”) entered into a renewed framework sales agreement with Nankai Trading for three years from 1 January 2024 to 31 December 2026. Nankai Trading is 60% owned by Mr. Mei Yiqiu (“Mr. Mei YQ”), a cousin of Mr. Mei Zefeng, who is one of the Controlling Shareholders of the Company (“Renewed Framework Sales Agreement”).

The Renewed Framework Sales Agreement is a framework sales agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions contemplated thereunder. Pursuant to the Renewed Framework Sales Agreement, Nankai Trading may, at the end of each calendar month, during the term of the Renewed Framework Sales Agreement, enter into separate sales agreement(s) in respect of the purchases covered by the Renewed Framework Sales Agreement, which will specify, among others, the payment terms, price and quantity of scrap metal materials to be purchased in the following calendar month, provided that such separate sales agreement(s) shall always be subject to the terms of the Renewed Framework Sales Agreement.

Pursuant to the Renewed Framework Sales Agreement, Nankai Trading agrees to purchase, on a non-exclusive basis, from Jiangnan Precision scrap metal materials. The purchase price of scrap metal materials is to be determined in the ordinary course of business on normal commercial terms, negotiated on an arm’s length basis and on the following principles: (i) the market price of scrap metal materials, steel wires and other similar products charged by nearby independent manufacturers; and (ii) factors including quantity of purchase and mode of delivery. In determining the market price, the Company will compare the prices of scrap metal materials, steel wires and other similar products from at least two nearby independent manufacturers of those products to ensure that price is no more favourable than those offered by the Group to independent third parties.

The annual caps of the transaction amounts for the three financial years ended 31 December 2024, 2025 and 2026 are RMB13.0 million, RMB13.0 million and RMB13.0 million respectively. The total transaction amounts under the Renewed Framework Sales Agreement for the year ended 31 December 2024 and 2025 were approximately RMB11.2 million and RMB 9.3 million.

The independent non-executive Directors have reviewed the above continuing connected transaction (the “Continuing Connected Transaction”) and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms not less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditors of the Company have confirmed to the Board that the above-mentioned Continuing Connected Transaction (i) have been approved by the Board; (ii) are in accordance with the pricing policies of the Group where such transactions involve the provision of goods or services by the Group; (iii) have been entered into in accordance with the relevant agreements governing such transactions; and (iv) have not exceeded the respective annual cap as set by the Company.

The independent auditors of the Company (the “Independent Auditors”) were engaged to report on the Company’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor’s Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transaction made by the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer and five largest customers for the year ended 31 December 2025 accounted for approximately 12.24% and 44.96% respectively of the Group's total turnover for the year.

The Group's largest supplier and five largest suppliers for the year ended 31 December 2025 accounted for approximately 60.37% and 76.07% respectively of the Group's total purchases for the year.

According to the understanding of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year ended 31 December 2025.

EMOLUMENT POLICY AND DIRECTOR'S REMUNERATION

The remuneration committee was set up for reviewing the Group's emoluments policy and advise on the remuneration of the Directors and senior management of the Group with reference to their duties, responsibilities, experience and performance and also the results of the Group. Details of the remuneration of the Directors and the five highest paid individuals during the year ended 31 December 2025 are set out in notes 9 and 10 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 7(b) to the financial statements.

LITIGATION AND ARBITRATION

As at the date of this annual report, there was no outstanding or pending litigation and arbitration for the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the law of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

NON-ADJUSTING EVENT AFTER THE YEAR END DATE

Details of non-adjusting event after the year end date are set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year and up to the date of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares, they are advised to consult an expert.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING

The Annual General Meeting (“AGM”) of the Company will be held on Friday, 12 June 2026. The notice of AGM will be sent to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 12 June 2026, the register of members of the Company will be closed from Tuesday, 9 June 2026 to Friday, 12 June 2026, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2026. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Friday, 12 June 2026.

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2025. A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the forthcoming AGM of the Company.

On behalf of the Board

KangLi International Holdings Limited

Liu Ping

Chairman

Hong Kong, 27 March 2026

* *for identification purpose only*

The board of directors (the “Directors”) of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

The Company aims at establishing a sustainable company to maximize the return for its shareholders, providing good quality products and solutions for customers, providing a platform for our staff to maximize their value and developing our business in an environmental-friendly way for our society.

The Board and the management of the Company play an active role in the development of the Group’s business model. The Board instils a culture that promotes and maintains a high standard of integrity, openness, probity and accountability. The Directors always act with integrity, lead by example, and promote the desired culture of the Company. Such culture aligns with the core values of the Group of acting lawfully, ethically and responsibly which is continually reinforced by the Company. In order to promote and implement the purpose and core values continuously, the Board has established various internal policies and procedures e.g. anti-fraud and anti-bribery policy and whistleblowing policy, which form an integral part of creating a healthy corporate culture of the Group.

The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder value. The Company is committed to building and maintaining high standards of corporate governance to enhance its transparency and accountability. The Company’s corporate governance practices are based on the principles and the code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Throughout the year ended 31 December 2025, the Company has applied the principles in the CG Code which are applicable to the Company and, in the opinion of the Directors, the Company has complied with all applicable code provisions set out in the CG Code.

The Board will continually review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules as the code of conduct regarding directors’ dealing in the securities of the Company. The Company has made specific enquiry of all Directors and confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2025.

The Model Code is also applicable to the Company’s relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealing in the Company’s securities. No incidents of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company during the year ended 31 December 2025.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises the following executive Directors and independent non-executive Directors.

Executive Directors

Mr. Mei Zefeng

Ms. Liu Ping *(Chairman of the Board and Chairman of Nomination Committee)*

Mr. Zhang Zhihong *(Chief Executive Officer and Member of Remuneration Committee)*

Ms. Lu Xiaoyu

Mr. Xu Chao

Independent non-executive Directors

Mr. Lau Ying Kit *(Chairman of Audit Committee and Member of Nomination Committee and Remuneration Committee)*

Mr. Yang Guang *(Member of Remuneration Committee, Nomination Committee and Audit Committee)*

Mr. Cao Cheng *(Chairman of Remuneration Committee and Member of Nomination Committee and Audit Committee)*

Mr. Mei Zefeng is the spouse of Ms. Liu Ping and Mr. Xu Chao is the cousin of Ms. Liu Ping. Save as disclosed above, there is no relationship between other Directors.

Mr. Mei Zefeng, Ms. Liu Ping, Mr. Zhang Zhihong, Ms. Lu Xiaoyu and Mr. Xu Chao have entered into a service contract with the Company commencing on 25 October 2024, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. Yang Guang, Mr. Lau Ying Kit and Mr. Cao Cheng commencing on 25 October 2024, 20 December 2024 and 15 July 2025 respectively, all of which may be terminated in accordance with the provisions thereof by either party giving to the other not less than three months' prior notice in writing.

The Company believes that the current Board composition is well-balanced and of a diverse mix of skills and experience appropriate for the business of the Company.

The biographical information of the Directors and the relationship between the Directors and the senior management are detailed under the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Board Meetings and Directors' Attendance Records at Board and General Meeting

Under the code provision C.5.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, either in person or through electronic communication, to review the Group's overall strategies, financial and operational performances, approve the annual and interim results of the Group, assess the risk management and internal control systems, and discuss other significant matters. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders.

The Board held eight Board meetings in 2025, of which four were regular meetings at approximately quarterly intervals to discuss and review the Group's business development, operations and financial performance. The attendance of each director at Board meetings and general meeting is set out in the table below:

Name of Directors	Attendance/Number of Meeting(s)	
	Board Meetings	Annual General Meeting
<i>Executive Directors</i>		
Mr. Mei Zefeng	8/8	1/1
Ms. Liu Ping	8/8	1/1
Mr. Zhang Zhihong	8/8	1/1
Ms. Lu Xiaoyu	8/8	1/1
Mr. Xu Chao	8/8	1/1
<i>Independent Non-executive Directors</i>		
Mr. Yang Guang	8/8	1/1
Mr. Lau Ying Kit	8/8	1/1
Mr. Cao Cheng	8/8	1/1

All Directors have the opportunity to include matters in the agenda for a Board meeting. Notices of regular Board meetings will be sent to Directors at least 14 days before the meeting date. For other Board and committee meetings, reasonable time is generally given.

The agenda together with relevant information will be sent to all Directors at least 3 days before each Board meeting to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management when necessary.

Directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the expenses of the Company. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

Minutes of each Board meeting will be drafted by the Company Secretary to record the matters discussed and decision resolved at the Board meetings and circulated to the Board for comment within a reasonable time after each meeting. The final Board minutes are kept by the Company Secretary and are available for inspection by Directors.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles and responsibilities of chairman and chief executive officer should be separated and should not be performed by the same individual.

The chairman of the Board and the chief executive officer are currently two separate positions held by Ms. Liu Ping and Mr. Zhang Zhihong respectively. The chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the chief executive officer is responsible for the day-to-day operations of the Group.

Independent Non-executive Directors

The Board at all times had at least three independent non-executive Directors with at least one independent non-executive Director having appropriate professional qualifications on accounting or related financial management expertise during the year ended 2025. The total number of independent non-executive Directors representing at least one-third of the Board maintain a strong independent element on the Board in order to exercise independent judgment.

The Company has received, from each independent non-executive Directors of the Company, written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

The Company had ensured independent views and input are available to the Board. The Directors can seek external independent professional advice if required and all independent non-executive Directors will be informed to attend all the meetings of the Board and its relevant committees held during the year.

During the year ended 31 December 2025, the Chairman had a meeting with the independent non-executive Directors without the presence of other Directors.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association.

The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. In selecting and approving a candidate for directorship, the Board will consider various criteria such as education, qualification, experience, integrity and the potential contribution to the Group.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, subject to renewal after the expiry of the then current term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years, subject to renewal after the expiry of the then current term.

In accordance with the Company's Articles of Association, all Directors of the Company are subject to retirement by rotation at an annual general meeting at least once every three years. Any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting of the Company after appointment.

Responsibilities of the Board and Management

The Board is responsible for formulating the business plans and strategies, monitoring the business performance, risk management and internal control, approving investment proposals, reviewing the finance performance and appointment of directors and other significant operational matters of the Group. The daily operations of the Group and execution of the business plans are delegated to the management of the Group. Prior to entering into any significant transactions, Board approval should be obtained. In addition, the Board has established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

The Company has established written guidelines on no less exacting terms than the Model Code for employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the guidelines was noted.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times. In addition, every director should ensure sufficient time and attention to the affairs of the Company and disclose the number and nature of offices held in public companies or organization and other significant commitments as well as the identity of the public companies or organizations and the time involved. The Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors arising out of corporate activities.

Continuous Professional Development

Newly appointed Director will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations under the Listing Rules and relevant statutory requirements; a briefing on the Company's structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarize with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Company.

The Company encourages its directors to participate in continuous professional development courses and seminars organized by professional institutions or professional firms at the Company's expense and read materials on relevant topics, like corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances, so that they can continuously update and further improve their relevant knowledge and skills.

During the year ended 31 December 2025, the Company provided an in-house training conducted by an external legal advisor covering the duties of directors' responsibility, updates on Listing Rules and case studies related to breach of Listing Rules by listed issuers and directors. In addition to the in-house training, the Directors have been provided with relevant training reading materials including but not limited to anti-corruption and corporate governance.

According to the information provided by the Directors, a summary of training received by the existing Directors during the year ended 31 December 2025 is as follows:

Name of Directors	Attending in-house training, Attending seminars, Reading materials
<i>Executive Directors</i>	
Mr. Mei Zefeng	✓
Ms. Liu Ping	✓
Mr. Zhang Zhihong	✓
Ms. Lu Xiaoyu	✓
Mr. Xu Chao	✓
<i>Independent Non-executive Directors</i>	
Mr. Yang Guang	✓
Mr. Lau Ying Kit	✓
Mr. Cao Cheng	✓

BOARD COMMITTEES

The Board is supported by three committees with defined roles and responsibilities for each committee. Such committees are the remuneration committee (the “Remuneration Committee”), nomination committee (the “Nomination Committee”) and audit committee (the “Audit Committee”). All committees were set up with a written terms of reference, which are in line with the relevant CG Code and available to shareholders on the Company’s website, to deal clearly with its authority and duties. The committees will report their findings and decisions and make necessary recommendations to the Board.

Minutes of the committee meetings will be drafted by the Company Secretary and circulated for the comment to the members of the committee within a reasonable time. The final version of the committee minutes are kept by the company secretary (the “Company Secretary”) and such minutes are open for inspection by any Director. All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expense.

Details of each committee and their duties are as follows:

Nomination Committee

The Nomination Committee currently comprises four members, including one executive Director, namely Ms. Liu Ping (chairman) and three independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Yang Guang and Mr. Cao Cheng.

The principal duties of the Nomination Committee include reviewing the size, structure and composition of the Board, making recommendations to the Board on the appointment and succession planning of Directors with reference to the Company’s corporate strategy and assessing the independence of the independent non-executive Directors. The terms of reference of the Nomination Committee are in line with the CG Code and are accessible through the Company’s website.

The Nomination Committee met once during the year ended 31 December 2025 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee also help to maintain an appropriate balance of diversity perspectives of the Board and evaluate its independence.

During the year, the Nomination Committee reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. An evaluation questionnaire focused on the composition and diversity, as well as effectiveness of the performance of the Board was sent to all Directors with the aim of soliciting valuable feedback, improving the effectiveness and enhancing accountability of the Board. The evaluation questionnaire allowed Directors to evaluate effectiveness of the Board by rating in different aspects and indicate the areas of improvement required and the results will be presented to the Board for follow-up action for improvement.

The evaluation results for the year indicated that the Directors considered the Board had operated satisfactorily. They were satisfied with the composition and effectiveness of the Board.

The attendance record of each Director at the said Nomination Committee meeting of the Company held is set out in the table below:

Name of Directors	Attendance/ Number of Meeting(s)
Ms. Liu Ping (<i>Chairman</i>)	1/1
Mr. Lau Ying Kit	1/1
Mr. Yang Guang	1/1
Mr. Cao Cheng	1/1

To facilitate the duties of the Nomination Committee, the Board adopted a director nomination policy and a board diversity policy. Details of the two policies are as follows:

Nomination Policy

The Board adopted a director nomination policy (the “Nomination Policy”) which describes the procedures and selection criteria by which the Company will select candidate(s) for possible inclusion in the Board. The Board considers the Nomination Policy could ensure the Board maintains a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company’s business.

In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider:

- (a) the highest personal and professional ethics and integrity;
- (b) proven achievement and competence in the nominee’s field and the ability to exercise sound business judgment;
- (c) skills that are complementary to those of the existing Board;
- (d) the ability to assist and support management and make significant contributions to the Company’s success;
- (e) an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- (f) independence: the independent non-executive director candidates should meet the “independence” criteria as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the composition of the Board is in conformity with the provisions of the Listing Rules.

Other than the foregoing, the Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and its Shareholders.

During the year ended 31 December 2025, there was no change in the composition of the Board. The Nomination Committee will review the Nomination Policy annually, as appropriate, to ensure its effectiveness.

Board Diversity Policy

In order to achieving a sustainable and balanced development, the Company considers the enhancement of diversity at the Board level as an essential element in facilitating the achievement of its strategic objectives and sustainable development. In deciding the Board composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the board. The selection of candidates will be based on a range of diverse perspectives, including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based upon the merits and contribution the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

The Board has set measurable objectives (in terms of gender, skills and professional experience, etc. as aforementioned) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. In particular, in accordance with the requirements under the CG Code, the Company has set an initial target of appointing at least one director of a different gender to the Board and has achieved such target since its listing when Ms. Liu Ping was appointed as an executive Director and the chairperson of the Board and Ms. Lu Xiaoyu was appointed as an executive Director. Currently, the gender diversity of the Board is at 25% (2 female out of 8 Directors). The Nomination Committee and the Board will review the Board's target gender diversity ratio from time to time and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. In particular, going forward and with a view to developing a pipeline of potential successors to the Board, the Company will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of the Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or the Board so that the Board will have a pipeline of female senior management and potential successors to the Board in a few years' time.

Gender diversity at workforce levels is disclosed in the section headed "Environmental, Social and Governance Report" in this annual report.

Further, the Board currently consists of members with different professional backgrounds (including steel manufacturing and processing industry, finance, accounting, capital market, corporate governance and management) and from different age groups (from 30's to 80's). Accordingly, the Nomination Committee considers that the current composition of the Board is characterised by diversity (including gender diversity) after taking into account its own business model and specific needs, whether considered in terms of professional experience or skills.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will discuss at least annually any changes to the Board Diversity Policy and Board composition that may be required (including the need to identify potential successors to the Board to achieve gender diversity), and make such recommendations to the Board for consideration and approval. The Board has reviewed the Board Diversity Policy in 2025 and is of the view that the Board Diversity Policy has been properly implemented and is effective.

The Group's policies in recruitment and promotion of employees are based on objective factors such as their skills, knowledge, experience and performance. We disregard their respective gender, race or religion in order to provide a fair and equal working environment and opportunities. A summary of the gender ratio in the workforce (including senior management) of the Group for the year is disclosed in the Environmental, Social and Governance Report of the Company.

Remuneration Committee

The Remuneration Committee currently comprises four members, including three independent non-executive Directors, namely Mr. Cao Cheng (chairman), Mr. Lau Ying Kit and Mr. Yang Guang, and one executive Director, namely Mr. Zhang Zhihong.

The Remuneration Committee is responsible for reviewing the contract terms of Directors and senior management of the Group; making recommendations to the Board regarding the Group's policies and structure for remuneration of Directors and senior management of the Group; making recommendations to the Board on the remuneration packages of individual Directors and senior management and reviewing and approving incentive schemes and performance-based remuneration.

The terms of reference of the Remuneration Committee are in line with the CG Code and are accessible through the Company's website.

The Remuneration Committee met once during the year ended 31 December 2025 to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the existing Directors and other related matters.

The attendance record of each Director at the said Remuneration Committee meeting of the Company held is set out in the table below:

Name of Directors	Attendance/ Number of Meeting(s)
Mr. Cao Cheng (<i>Chairman</i>)	1/1
Mr. Yang Guang	1/1
Mr. Zhang Zhihong	1/1
Mr. Lau Ying Kit	1/1

Details of the emoluments paid to the Directors and highest paid individuals for the year ended 31 December 2025 are set out in notes 9 and 10 to the financial statements in this annual report.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lau Ying Kit (chairman), Mr. Yang Guang and Mr. Cao Cheng.

The primary duties of the Audit Committee are to manage the relationship between the Company and its external auditor and monitor the audit scope and the process, to review and supervise the financial reporting process, internal control system and risk management and to provide advice and comments to the Board. The terms of reference of the Audit Committee are in line with the CG Code and are accessible through the Company's website.

During the year ended 31 December 2025, the Audit Committee held three meetings, with the help of auditor and internal control expert, to discuss and review the 2024 annual financial results and the effectiveness of the Company's risk management and internal control systems, to consider the re-appointment of external auditor, to review the 2025 interim financial results and to review and discuss the scope and fee of 2025 annual audit and internal control review.

The Audit Committee met the external auditors twice without the presence of the executive Directors during the year ended 31 December 2025.

The attendance record of each Director at the said Audit Committee meeting of the Company held is set out in the table below:

Name of Directors	Attendance/ Number of Meeting(s)
Mr. Lau Ying Kit (<i>Chairman</i>)	3/3
Mr. Yang Guang	3/3
Mr. Cao Cheng	3/3

Corporate Governance Functions

No corporate governance committee has been established by the Company and the Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board, with the help of the Audit Committee, had reviewed the Group's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements, compliance of the Model Code and the compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective risk management and internal control systems of the Group to safeguard shareholders' investment and the Group's assets. No risk management committee has been established and the Board, with the help of the Audit Committee and external consulting firm, reviews the overall effectiveness and oversees the management of the Group in the design, implementation and monitoring of the risk management and internal control systems of the Group. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board continuously monitors the Group's risk management framework, reviews the Group significant risks and conducts an annual review of the effectiveness of the risk management system. The Board determines the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Group's risk management and internal control systems include, among others, the relevant financial, operational and compliance control and risk management procedures or policies, a well-established organizational structure with a clearly defined line of responsibilities and authorities. Each department is accountable for its daily operations and is required to implement the policies adopted from the Board from time to time. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department. The management had reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the year ended 31 December 2025.

The Company does not establish its internal audit department in view of its existing scale and complexity of business operation. During the year ended 31 December 2025, the Directors, through the Audit Committee with the help of external consulting firm, have reviewed the effectiveness of the internal control system of the Group. The Company has engaged an external consulting firm to conduct a review of the effectiveness of the system of internal control of the major operating subsidiaries of the Group. Areas for improvement have been identified and appropriate measures have been taken to provide assurance that key operational risks are identified and managed.

The Company has an inside information policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board with the help of Audit Committee and the external consulting firm, has reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025, which covered material controls, including financial, operational and compliance controls and risk management of the Group and considered that such systems are effective and adequate, despite having identified areas of improvement.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibility is set out under the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The Company has appointed KPMG as the Auditor of the Group. The remuneration paid or payable to the Auditor in respect of audit services and non-audit services for the year ended 31 December 2025 was approximately as follows:

Type of services	Fees paid/payable RMB'000
Audit services	1,600
Other services	246
	1,846

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor for the year ended 31 December 2025.

COMPANY SECRETARY

Mr. Chung Yau Tong ("Mr. Chung") was appointed as the company secretary of the Company and he is an employee of the Company. Mr. Chung complied with Rule 3.29 of the Listing Rules for the year ended 31 December 2025 and had taken not less than 15 hours of relevant professional training for the year under review.

SHAREHOLDERS' RIGHTS

Procedures for Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at Shareholders' Meetings

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary") to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting.

Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the head office or its principal place of business in Hong Kong.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the extraordinary general meeting and be signed by the Eligible Shareholder(s) concerned.

If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles and Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making Enquiries to the Board

Shareholders of the Company may submit their enquiries and concerns to the Board in writing by addressing them to the Board by post or delivery to the head office or its principal place of business in Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT

Contact Details

Shareholders may send their requisition or enquiries as mentioned above to the following:

Headquarters in the PRC

Wuyi County, Hengshanqiao Town, Wujin District, Changzhou City, Jiangsu Province, the PRC

Fax: (86) 519-88608896

Principal place of business in Hong Kong

18 Floor, Nine Queen's Road Central, Central, Hong Kong

Fax: (852) 3753-1353

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Major channels to communicate information to Shareholders and the investors include: the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, publication of all disclosed information submitted to the Stock Exchange on the websites of the Company and the Stock Exchange. The Company will continuously ensure the effectiveness and timeliness of information disclosure to Shareholders and the investors. The Board welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or the management directly.

Shareholders of the Company and investors can mail any enquiries, comments, suggestions and recommendations to the head office or the principal place of business in Hong Kong as mentioned above, the Board or their delegates will reply to them promptly.

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

DIVIDEND POLICY

The Company does not have any pre-determined dividend distribution ratio. Pursuant to the CG Code, the Board has adopted a dividend policy (the "Dividend Policy") which aims to allow the Shareholders to share the profits of the Company whilst retaining adequate reserves for the future growth of the Group. The Dividend Policy adopted by the Company to determine the payment and the amount of any dividends, if paid, depend on, among other things, the Group's overall results of operation, financial position, capital requirements, cash flows and future prospects, the amount of distributable reserves of the Company and other factors that the Directors considered relevant from time to time.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to any restrictions under the Companies Act of the Cayman Islands and the Articles of Association. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to declare a dividend at any time or from time to time. The Dividend Policy is subject to review by the Board from time to time and will be amended as and when appropriate.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, the Company has not made any changes to the Memorandum and Articles of Association of the Company. An up to date version of the Memorandum and Articles of Association of the Company is available on the Company's website and the Stock Exchange's website.

ABOUT THIS REPORT

KangLi International Holdings Limited (“KangLi” or the “Company”) and its subsidiaries (collectively, the “Group” or “we”) are committed to maintaining a strong position as a galvanised steel products manufacturer in Jiangsu Province, the People’s Republic of China (“PRC”), while integrating sustainability into our business strategy. Various factors, including business-related challenges, work ethics, global trends, laws and regulations, are taken into account to constantly promote business growth and achieve sustainability goals.

The Group is pleased to present its Environmental, Social and Governance (“ESG”) Report (the “Report”). This Report summarises the Group’s strategies, practices, and visions on ESG issues and conveys a clear message of the Group’s commitment to sustainable development. The content herein provides an overview of the sustainability performance, management approach, and vision of its major operations in the PRC for the year ended 31 December 2025 (the “Reporting Year”). The Reporting Year coincides with our financial year.

Scope and Preparation Basis of the Report

The reporting scope is determined based on the materiality and significance of ESG impacts on the business segments under the Group’s direct operational control. This Report covers the Group’s operations in Jiangsu Province, the PRC. This Report has been prepared in accordance with the reporting framework and guidelines stipulated under the Environmental, Social and Governance Reporting Code (“ESG Reporting Code”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”). In preparing this Report, the Group has applied the fundamental reporting principles, including materiality, quantitative, balance, and consistency.

The Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the HKEx for computing the relevant key performance indicators (“KPIs”), and there has been no change from the previous year in the way the Report has been prepared unless otherwise stated. The application of materiality is detailed in the subsection headed “Materiality Assessment”.

Source of Information and Reliability Statement

The data and information used in this Report are derived from our archived documents, records, statistics, and research.

The Group has confirmed that this Report has no false representations, misleading statements, or material omissions and is responsible for the truthfulness, accuracy, and completeness of its contents in all material respects.

Feedback

For details on our financial performance and corporate governance, please visit our website at <http://www.jnppmm.com> and our Annual Reports. We also treasure your feedback and comments on our sustainability performance. Please send your feedback and other sustainability inquiries to our head office at ir@jnppmm.com.

The Board of Directors (the “Board”) is responsible for monitoring the Group’s ESG-related risks over time. It has been confirmed that appropriate and effective ESG risk management and internal control systems were in place during the Reporting Year.

ABOUT KANGLI

Our Business

The Group was listed on the Main Board of the Stock Exchange in 2018 (stock code: 6890). The Group is a leading midstream manufacturer of galvanised steel products for the home appliance sector in Jiangsu Province, the PRC. The Group primarily engaged in the production and sale of hard steel coil, unpainted galvanised steel products, and painted galvanised steel products, mainly to midstream steel product processors for further processing and to home appliance manufacturers for the production of home appliances such as refrigerators, washing machines, and ovens.

Our Vision

To maintain the leading position in the industry in order to provide high-quality galvanised steel products in Jiangsu Province, the PRC.

Our Mission

To provide the best and safest products to meet customers' demands and create value for the shareholders and investors based on our experienced and reliable working team with extensive knowledge of the industry.

Board of Directors

As at the date of this Report, the Board consists of:

Executive Directors	Independent Non-Executive Directors
Ms. Liu Ping (<i>Chairman</i>)	Mr. Lau Ying Kit
Mr. Zhang Zhihong (<i>Chief Executive Officer</i>)	Mr. Cao Cheng
Mr. Mei Zefeng	Mr. Yang Guang
Mr. Xu Chao	
Ms. Lu Xiaoyu	

ESG MANAGEMENT

The Group recognises its responsibility to be accountable to all its stakeholders, including customers, potential investors, shareholders, the media, employees, the government, suppliers, and the local community. Understanding the needs and expectations of our stakeholders is the key to the Group's success. As each stakeholder requires a different engagement approach, the Group has established a tailored communication method to better meet each stakeholder's expectations.

We place a strong emphasis on monitoring risks and exploring opportunities. For the sake of striking a balance between business needs, social demands, and environmental impacts, we are committed to continuously monitoring the risks and opportunities that exist in our daily operations and embracing a transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

As a leading manufacturer of galvanised steel products and a responsible corporate citizen, the Group acknowledges that quality management of environmental and societal activities is of utmost importance in promoting sustainable economic growth. To address global concerns about climate change and fulfil our corporate social responsibilities, the Group has incorporated climate-related issues into our risk management system to enhance our resilience and adaptive capacity to potential climate impacts. All potential risks that may affect the Group's businesses will be covered and evaluated in the annual enterprise risk assessment.

The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the Group's ESG-related strategies and targets, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the targets is identified. Growing environmental concerns, increasingly complex regulations, and shifting stakeholder expectations drive the need to set targets and assist the Group in enhancing sustainability strategy, which aligns with and complements our business strategy. The executive directors are responsible for conducting materiality assessments and prioritising ESG issues, communicating with stakeholders to understand their views on ESG, and promoting the implementation of their respective strategies. To implement sustainability strategies that apply to all levels of the Group, a top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities

The executive directors will continuously monitor the implementation of ESG-related measures through active communication with functional departments and review the ESG management system annually. The Board will continue to review and refine the Group's sustainability measures and performance in order to create long-term value for all stakeholders and the communities in which we operate.

OUR STAKEHOLDERS

The Group strongly believes that its stakeholders' views are crucial to sustaining business success. We actively strive to better understand and engage our stakeholders via transparent communication. By continually understanding our stakeholders' expectations and needs, we improve our sustainable development strategies and focus our efforts on the ESG issues most relevant to them. The following table provides an overview of the eight core stakeholder groups identified and our engagement methods.

Stakeholders	Probable issues of concern	Communication and response
The Stock Exchange	Compliance with the Listing Rules, timely and accurate announcements.	Meetings, training, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule and demand stability.	Site visits.
Shareholders/Investors	Corporate governance system, business strategy and performance, and investment return.	Organising and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media and Public	Corporate governance, environmental protection, and human rights.	Publishing newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, production value, labour protection and work safety.	Field investigation and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, training, interviews with employees, employee handbooks, internal memos, employee's suggestion boxes.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

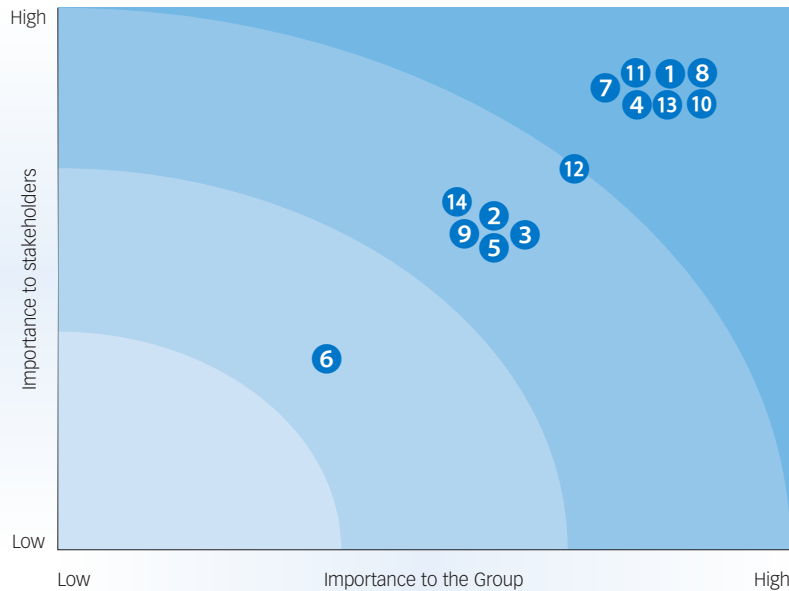
MATERIALITY ASSESSMENT

The Group has identified ESG issues that have a potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends, and the Sustainability Accounting Standards Board’s Materiality Map¹. The Group also actively engages with its stakeholders to understand their views on material ESG issues. The ESG issues have been analysed with reference to an array of factors, including the Group’s overall strategy, development, and goals and targets.

The material ESG issues are those that have or may have a significant impact on:

- The PRC’s galvanised steel products industry;
- The global galvanised steel products market;
- The current or future environment or society in which we operate;
- Our financial performance or operations; and/or
- Our stakeholders’ assessments, decisions, and actions.

To better understand its stakeholders’ concerns and interests, the Group conducted its materiality assessment in 2024. Following analysis of the results, the Group concluded that there had been no significant changes in stakeholders’ main concerns and that the priority of ESG matters remains relevant and consistent with 2025. The assessment results are presented below:



ESG issues	
1. Emissions	8. Health and Safety
2. Hazardous Waste	9. Development and Training
3. Non-hazardous Waste	10. Labour Standards
4. Energy Consumption	11. Supply Chain Management
5. Water Consumption	12. Product Responsibility
6. Climate Change	13. Anti-corruption
7. Employment	14. Community Investment

¹ Sustainability Accounting Standards Board’s Materiality Map, <https://materiality.sasb.org/>

SECTION A: ENVIRONMENTAL

Overview

The Group recognises the critical importance of environmental protection and affirms that it will not pursue business growth at the expense of the natural environment. A healthy environment is fundamental to the Group’s sustainable development. Accordingly, the Group endeavours to integrate environmental sustainability into its core operations, with the aim of reducing both its absolute carbon emissions and emission intensity. We strictly abide by the relevant environmental laws and regulations in the PRC, including but not limited to the “Environmental Protection Law of the PRC”, “Atmospheric Pollution Prevention and Control Law of the PRC”, “Water Pollution Prevention and Control Law of the PRC”, “Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste” and “Energy Conservation Law of the PRC”.

With our dedicated efforts, there was no material non-compliance with environmental laws and regulations in all material respects for the Reporting Year. The Group will remain alert to any non-compliant behaviour related to critical environmental issues.

Emissions

Air Emissions

The Group’s core business activities comprise the manufacture and processing of galvanised steel products, which rely on stationary combustion to power production facilities, including fixed machinery and equipment. Such fixed machinery and equipment are primarily deployed for steel galvanising, colour coating, and hydrogen production. In addition to stationary combustion from natural gas, mobile combustion generated by vehicles owned by the Group also contributed to the emissions by the Group’s operations during the Reporting Year. The emitted air pollutants were mainly nitrogen oxides (“NOx”), sulphur oxides (“SOx”), and particulate matter (“PM”). The breakdown of the air emissions during the Reporting Year is shown below:

Types of Air Pollutants	2025	2024 ¹
NOx (kg)	12,025.55	13,396.35
SOx (kg)	0.27	0.31
PM (kg)	1.50	1.69

During the Reporting Year, the natural gas and petrol consumptions amounted to approximately 11.5 million m³ (2024: 12.8 million m³) and 18,647 L (2024: 21,079 L), respectively. In terms of air pollutants, the Group generated 12,025.55 kg of NOx (2024: 13,396.35 kg), 0.27 kg of SOx (2024: 0.31 kg), and 1.50 kg of PM (2024: 1.69 kg) during the Reporting Year. Compared with 2024, there was a decrease in NOx, SOx, and PM due to effective facility and vehicle management, indicating that the Group had achieved the target.

The Group has implemented measures to control air emissions, including, but not limited to, requiring employees to turn off idle equipment, using energy-efficient appliances, and conducting regular checks and maintenance of fixed machinery.

¹ Natural gas emission data in the previous Reporting Year has been recalculated and restated due to an adjustment in the applicable emission factor.

Waste Management

Hazardous Waste

The unregulated disposal and improper handling of hazardous waste present substantial risks to environmental quality, ecological balance, and public health. In recognition that the Group's operations generate chemical waste as an inevitable by-product, the Group has maintained consistent and rigorous waste management protocols throughout its operations. During the Reporting Year, the Group exercised effective control over the generation, storage, collection, and disposal of hazardous waste through its robust, well-established waste management system, thereby minimising potential adverse environmental impacts and ensuring full compliance with applicable regulatory requirements. The breakdown of the hazardous waste generated during the Reporting Year is shown below:

Waste Generation	Unit	2025	2024
Total Hazardous Waste Generated	tonnes	8,666.14	9,398.64
Hazardous Waste Intensity	tonnes/employee	15.37	17.09

During the Reporting Year, the Group produced approximately 8,666.14 tonnes (2024: 9,398.64 tonnes) of hazardous waste, with an intensity of approximately 15.37 tonnes per employee (2024: 17.09 tonnes per employee). The Group also achieved its hazardous waste target set in the previous reporting year, which was attributed to the enhanced waste management protocols and process optimisation to reduce source generation.

The Group will continue to refine the hazardous waste management framework to ensure full compliance and operational resilience. We are dedicated to reducing waste intensity and preventing environmental risks, aligning our practices with applicable standards to safeguard natural resources and fulfil our environmental stewardship. To uphold the principles of sustainable development, the Group is committed to reducing the hazardous waste intensity per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025.

Wastewater

Wastewater is generated in the Group's day-to-day production operations, including metal pickling and degreasing processes, as well as the operation of levelling machines and rollers. To minimise wastewater discharge, the Group has consistently adopted a closed-circuit wastewater treatment system that treats and purifies wastewater for recycling and on-site reuse. During the Reporting Year, the Group recorded no material discharge of wastewater into the environment.

Acid Waste

During the metal pickling process, acid waste was produced. To ensure the safe disposal of acid waste, the Group has implemented two approaches. The first approach was an internal neutralisation system that neutralised acid waste with alkali, producing pH-neutral sewage for further processing in the sewage-handling system. The Group closely monitored the neutralisation process by frequently checking that the alkali was maintained at a pH of around 11, ensuring the system operated as intended. After that, the sewage would be processed as mentioned above.

Alongside the internal neutralisation system, the Group has also contracted with qualified external waste management service providers to transfer acid waste. The Group has maintained proper records of the transfers. By monitoring the process closely, the Group ensured that the transfers were implemented effectively and minimised the risk of irresponsible disposal of acid waste. With our efforts in regulating acid waste disposal, the Group disposed of no significant amount of acid waste during the Reporting Year, with all acid waste handled appropriately in accordance with relevant laws and regulations.

Gaseous Waste

As a range of chemicals was used in our production, several kinds of gaseous hydrocarbons were produced. To counter the gaseous waste produced, the Group has installed a hydrocarbon removal system that analyses gaseous waste production and automatically generates various data graphs. Based on the data collected, the system then operated to remove any hydrocarbons produced by undergoing chemical reactions, physical removal, or incineration. The system was proven effective, as no significant amount of gaseous waste was emitted during the Reporting Year. To further strengthen our ability to remove gaseous waste, the Group will conduct frequent system checks and maintenance to ensure the system operates as intended and minimises the emission of hydrocarbons into the atmosphere.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other Hazardous Waste

Alongside the aforementioned waste, there were other kinds of chemical waste, including oil, emulsion, and sludge. Similar to the management process of acid waste, the Group has contracted with qualified external waste management service providers to transfer the chemical waste. The Group has also kept proper records of the transfers to ensure that the process was implemented effectively and to minimise the risk of irresponsible hazardous waste disposal. On top of this, the Group regularly reported to the government the amount of chemical waste transferred.

Policies of Hazardous Waste Management

With regards to the above hazardous waste, the Group has established comprehensive policies to manage the storage, handling, and transfer of waste in order to avoid any leakage of chemicals, in turn protecting both its employees and the environment. The hazardous waste must:

1. be managed by authorised personnel;
2. be stored on a timely basis;
3. be collected, stored, transferred, used, and handled in compliance with the laws and regulations; and
4. be recorded on the relevant register.

Non-Hazardous Waste

The Group produced mainly two types of non-hazardous waste: paper waste and inert waste, the latter being the remaining scrap materials after metal processing. During the Reporting Year, the Group produced approximately 20,266.94 tonnes (2024: 22,077.46 tonnes) of non-hazardous waste, with an intensity of approximately 35.93 tonnes per employee (2024: 40.14 tonnes per employee). Because of enhanced resource management practices, the Group successfully met its non-hazardous waste target set in the previous reporting year, demonstrating our commitment to responsible waste management.

Waste Generation	Unit	2025	2024
Total Non-hazardous Waste Generated	tonnes	20,266.94	22,077.46
Non-hazardous Waste Intensity	tonnes/employee	35.93	40.14

To minimise non-hazardous waste generation, the Group actively promotes a paperless corporate culture by integrating electronic systems into our daily operations, replacing traditional paper-based workflows. We have implemented comprehensive waste separation and recycling initiatives, including the strategic placement of recycling bins for paper products such as cardboard boxes and envelopes. Furthermore, the Group remains committed to enhancing employees' environmental stewardship through ongoing internal advocacy on natural resource conservation. To uphold the principles of sustainable development, the Group is committed to reducing the non-hazardous waste intensity per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025.

Use of Resources

The Group is committed to upholding its position as an environmentally responsible and sustainable enterprise, and will continue to integrate green principles into its long-term business strategy and day-to-day management. The Group recognises that resource consumption and procurement activities throughout its value chain also generate emissions, which are an integral part of its overall carbon profile. Against this backdrop, the Group has implemented a series of targeted carbon abatement initiatives across its operations, including energy-efficiency improvements, resource optimisation, and emission-monitoring mechanisms, with a view to progressively reducing its overall carbon emissions and supporting the low-carbon transition.

Energy Consumption

During the Reporting Year, the Group's energy consumption comprised both direct and indirect energy. Direct energy mainly comprises unleaded petrol consumed by the Group's vehicle fleet, as well as natural gas. Indirect energy primarily comprises purchased electricity used for manufacturing and operations. The breakdown of the energy consumption during the Reporting Year is shown below:

Energy Consumption ³	Unit	2025	2024
Direct energy consumption	GWh	120.06	133.74
Indirect energy consumption	GWh	70.21	75.73
Total	GWh	190.27	209.47
Intensity	GWh/employee	0.34	0.38

During the Reporting Year, the Group's total energy consumption amounted to approximately 190.27 GWh (2024: 209.47 GWh), resulting in an energy intensity of approximately 0.34 GWh per employee (2024: 0.38 GWh per employee). The energy consumption intensity decreased due to the Group's ongoing efforts in optimising operational efficiency and implementing energy-saving management measures and achieved the target set in the previous reporting year.

The Group aims to strike a balance between operational requirements and energy efficiency goals. We will continue our efforts to implement energy-saving measures and explore opportunities for sustainable energy consumption, aligning with our long-term sustainability objectives. Looking ahead, the Group is committed to continuous improvement in energy management. To uphold the principles of sustainable development, the Group is committed to reducing the energy consumption intensity per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025. This target reflects the Group's dedication to managing and optimising energy consumption while considering the baseline year as a reference point.

Energy Efficiency

The Group is committed to enhancing energy efficiency across its operations. Recognising the energy-intensive nature of our production processes, we have implemented a range of resource-saving initiatives to mitigate our environmental footprint. Beyond fostering an energy-conscious culture—whereby employees are encouraged to maximise natural illumination and ensure the shutdown of idle equipment—the Group prioritises the decarbonisation of its asset base. To this end, we are committed to integrating energy-efficient procurement standards and executing a phased technological upgrade of existing machinery to high-efficiency models, ensuring long-term operational sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Management

Water is one of the most precious natural resources. High water consumption could undermine available water resources. In the meantime, the processing of fresh water requires electricity, indirectly increasing carbon emissions. Thus, the Group took various measures to actively conserve water. With improvements to the production process, the Group can reuse some of the water resources used in production. The breakdown of water consumption during the Reporting Year is shown below:

	Unit	2025	2024
Total water consumption	m ³	264,701.00	265,495.00
Intensity	m ³ /employee	469.33	482.72

During the Reporting Year, the Group's total water consumption in its business operations was approximately 264,701.00 m³ (2024: 265,495.00 m³). Our production processes remained the primary source of water usage, accounting for the vast majority of our total consumption. Consequently, the water consumption intensity reached approximately 469.33 m³ per employee (2024: 482.72 m³ per employee). This decrease in water consumption intensity was primarily driven by the ongoing refinement of our production processes and enhanced water management efficiency, reflecting changes in our operational scale and production requirements. Therefore, we have successfully met the target set in the previous reporting year.

As our water sources were from the governmental body as well as our own wastewater purification system, there was no water supply issue for the Reporting Year.

To foster a deep-rooted culture of water conservation, the Group has implemented a series of awareness-raising initiatives, including the strategic placement of instructional signage and reminder labels throughout our office facilities to encourage mindful use. Beyond behavioural nudges, we are committed to enhancing our monitoring of water consumption data by rigorously tracking consumption patterns. This systematic monitoring enables us to promptly identify potential leaks or inefficiencies, thereby optimising resource allocation and mitigating the Group's broader environmental impacts. To uphold the principles of sustainable development, the Group is committed to reducing the water consumption intensity per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025.

Packaging Materials

In line with the Group's policy on the efficient use of resources, the Group strives to optimise packaging design and material consumption while ensuring adequate product protection, transportation efficiency, and compliance with customer specifications. Packaging materials used for the Group primarily comprise internal and external corner protectors, fibreboard, and strapping materials. The breakdown of packaging materials is shown below:

	Unit	2025	2024 ²
Internal and external corner protectors	Tonnes	543.20	657.00
Fibreboard	Tonnes	1,103.00	1,202.00
Strapping materials	Tonnes	289.24	362.10
Total packaging materials consumption	Tonnes	1,935.44	2,221.10
Packaging materials intensity	Tonnes/employee	3.43	3.92

During the Reporting Year, the total amount of packaging materials consumption was 1,935.44 tonnes (2024: 2,221.10), with an intensity of 3.43 (2024: 3.92). Consumption and intensity decreased during the Reporting Year, largely in line with the reduction in the Group's production volume.

Aligned with our commitment to responsible resource management, the Group proactively seeks to rationalise packaging usage throughout our value chain. We actively explore and implement innovative alternatives—favouring materials that are renewable, easily recyclable, or of reduced density—to drive down emission intensity without compromising product quality or consumer safety. Our approach explores eco-design principles in our procurement process, ensuring that packaging durability and logistical performance remain uncompromised while we transition towards a more sustainable packaging model. To uphold the principles of sustainable development, the Group is committed to reducing the packaging materials intensity per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025.

The Environmental and Natural Resources

The Group values environmental sustainability and strives to incorporate it into every aspect of its business. As aforementioned, we have adopted a variety of environmentally friendly practices in our business.

At the design stage, we require relevant departments to simplify the production process and adopt non-polluting raw materials, which help to reduce potential pollutants and contribute to environmental sustainability. During the production stage, the use of all kinds of polluting materials is recorded by the production teams, as required by the Group's policy, and serves as a reference for future decision-making. Strict guidelines regarding the management and monitoring of pollutants are also adopted by the Group, which help its employees observe the relevant laws and regulations and promote corporate environmental responsibility.

Besides, the Group has continued to improve its workshops and production sites by planting trees and sod. In short, the Group has integrated various environmental protection measures to reduce pollution and enhance employees' environmental awareness across its business operations.

With our efforts in environmental protection, we are pleased to report that there was no material non-compliance with relevant laws and regulations for the Reporting Year.

2 Packaging material data has been restated during the Reporting Year due to improved measurement techniques and the rectification of historical data points.

Climate Change

The Group reviews and identifies the climate-related risk annually while conducting the risk assessment. We have considered the potential climate-related risks with respect to the framework of the International Financial Reporting Standards (“IFRS”) S2 Climate-related Disclosures. The Board regularly reviews and identifies all climate-related issues that may pose risks to the Group in the short, medium, and long term. During the Group’s annual enterprise risk assessment, all potential risks and opportunities arising from climate change are covered, and their mitigation strategies are evaluated. The potential physical risk and transition risk from climate change, which may pose adverse financial impacts on the Group’s businesses, and their corresponding mitigation strategies are shown below:

Risk Type	Potential Financial Impact	Short-term (This Reporting Year)	Medium-term (1-3 years)	Long-term (4-10 years)	Mitigation Strategy
	Low Medium High				
Transition Risks	Policy and Legal Increased compliance costs and potential disruption related to new climate-related regulations.				Regularly monitor the regulatory environment and strictly adhere to the Group’s emission-reduction measures to maintain a low emission level.
	Market Reduced demand for goods due to a shift in consumer preferences to green products.				Continue to monitor the product market to ensure that our products exceed customer demands and expectations.
Physical Risks	Acute Extreme weather conditions such as flooding and storms that lead to supply chain disruption, reduction of revenue and loss of property.				Maintain a large supplier base and set up safety measures and contingency plans in regard to extreme climate events.
	Chronic Increased operating costs related to the increased need for cooling and heating due to changing temperatures.				Adopt the Group’s energy conservation measures detailed in the above subsection headed “Energy Efficiency”.

Regarding the newly introduced requirements in Part D: Climate-related Disclosure of the Stock Exchange's Reporting Code, the Group has reviewed the current disclosure capabilities, internal resources, and data maturity. We have determined that the existing climate disclosure framework will continue to apply at this stage, and that the new requirements have not yet been fully integrated. Looking ahead, the Group will continue to refine climate data collection methods, risk management, and scenario analysis capabilities. In accordance with the Stock Exchange's implementation guidance and schedule, we aim to progressively enhance the transparency and completeness of relevant information to more fully comply with the Stock Exchange's climate-related disclosure requirements.

Greenhouse Gas ("GHG") Emissions

The Group recognises that GHG emissions are the primary driver of global climate change. As extreme weather events and shifting regulatory landscapes present increasing physical and transition risks to the business environment, we acknowledge our fundamental responsibility to contribute to the global transition towards a low-carbon economy. To this end, the Group is committed to the rigorous management and progressive reduction of our GHG emissions across our operations. We strive to decouple our business growth from environmental impact. This proactive approach not only ensures our ongoing alignment with international climate goals and local regulatory requirements but also reinforces the Group's operational resilience in an increasingly carbon-constrained world.

GHG Emissions	2025	2024
Scope 1 – Direct Emissions (tCO ₂ e)	24,854.39	27,052.53
Scope 2 – Energy Indirect Emissions ³ (tCO ₂ e)	40,559.69	43,188.14
Scope 3 – Other Indirect Emissions (tCO ₂ e)	130.68	148.66
Total (tCO₂e)	65,544.76	70,389.33
Intensity (tCO₂e per employee)	116.21	127.98

The main contributors to the Group's GHG emissions were indirect emissions from purchased electricity (scope 2 emissions) and direct emissions from operations (scope 1 emissions). Alongside the aforementioned sources, other indirect emissions (scope 3 emissions), including electricity used in freshwater processing, paper waste disposal at landfills, wastewater treatment, and business air travel by our employees also contribute to the GHG emissions.

During the Reporting Year, the Group's total GHG emissions amounted to approximately 65,544.76 tonnes of carbon dioxide equivalent ("tCO₂e") (2024: 70,389.33 tCO₂e) and 116.21 tonnes per employee (2024: 127.98 tCO₂e per employee), while there was an approximate 7.89% decrease in GHG emissions intensity compared to the previous reporting year. The decrease is primarily attributed to the Group's ongoing commitment to improving energy efficiency and the GHG reduction measures across our operations. This indicates that the Group has successfully met its GHG emissions target set in the previous reporting year.

As electricity consumption and the operation of fixed machines and equipment were the major sources of the Group's GHG emissions, the Group will continue to strengthen its energy-saving measures in daily operations. We encouraged our staff to turn off idle appliances and use energy-efficient appliances. The use of natural lighting in both our office and workshops was also encouraged. Apart from these measures, the Group will also conduct regular checks and maintenance on fixed machines and equipment to ensure energy efficiency and minimise GHG emissions. To uphold the principles of sustainable development, the Group is committed to reducing the GHG emission intensity per piece produced and per employee by 5% by 2030 compared to the level of the baseline year ended 31 December 2025.

3 According to the Announcement on the Release of 2024 Electricity Carbon Footprint Factor Data (《關於發布2024年電力碳足跡因子數據的公告》) published by the Ministry of Ecology and Environment of the PRC, the national emission factor coefficient is 0.5777 tCO₂/MWh.

SECTION B: SOCIAL

Employment

Employees are of top priority to the Group as they are one of our most cherished assets. We value all our employees' contributions and dedication to the business equally. We strive to grow with our employees because we firmly believe that it is mutually beneficial to both the employees and our business development in the long run. Hence, we adopt an employee-oriented approach to creating our workplace, as well as recruiting, training, and retaining talents for our business development.

The Group upholds the principle of fairness and is dedicated to maintaining equal opportunity of employment in relation to personnel matters, irrespective of age, gender, marital status, religion, disability, race or nationality.

The Group has clear policies on employee compensation, dismissal, recruitment, promotion, working hours, rest periods, benefits and welfare. Any updates and amendments are communicated to employees via email or in company meetings. The Group strictly complies with relevant employment laws and regulations in the PRC, including but not limited to the "Labour Contract Law of the PRC", "Labour Law of the PRC", "Provisions of the State Council on Working Hours of Workers and Staff", "Social Insurance Law of the PRC", "Regulations on Paid Annual Leave for Employees" and "Regulations on Management of Housing Provident Fund". For the Reporting Year, there was no substantial case of non-compliance regarding employment laws and regulations.

Harmonious Workplace

To build a harmonious and inclusive workplace, as well as diversify the backgrounds of our employees, we recruit talent based on experience, expertise, and values, regardless of race, colour, creed, national origin, ancestry, sex, marital status, disability, religion, political affiliation, age, or sexual orientation. Equal opportunities and diversity for all employees are highly valued by the Group.

As of 31 December 2025, the Group had a total of 564 employees. Breakdowns of the employees by gender, age group, geographical region, and employment type for the Reporting Year are set out below:

Number of Employees in Relevant Category	2025
Total	564
By Gender	
Male	388
Female	176
By Age Group	
Below 30	73
30-49	372
50 or above	119
By Employment Type	
Full-time	564
By Region	
Hong Kong	1
The PRC	563

During the Reporting Year, employee turnover across the Group was 34.04%, and its compositions are as follows:

Percentage of Employee Turnover in Relevant Category ⁴	2025
Total	34.04%
By Gender	
Male	45.10%
Female	9.66%
By Age Group	
Below 30	98.63%
30-49	27.96%
50 or above	13.45%
By Employment Type	
Full-time	34.04%
By Region	
The PRC	34.10%

Employee Benefits

The Group is committed to establishing good long-term relationships with all our employees. We offer a competitive and attractive remuneration package, including, but not limited to, on-the-job training, year-end bonuses, and performance-based incentive bonuses for our employees. Social Insurance and a Housing Provident Fund are also provided. We regularly review our employees' remuneration packages to reward their contributions and retain high-caliber talent. The decisions regarding salary increments, bonus amounts, and promotions are based on continuous assessment.

An attractive number of leaves are provided to our employees to ensure that they can enjoy a work-life balance. Depending on the employment type, we offer our staff three working-hour systems: the normal office-hour system, the two-shift system, and the three-shift system, all of which provide sufficient rest time for our employees. Besides workplace-related benefits, the Group regularly organises various employee activities, such as sports days, to boost team cohesion. We believe that a harmonious workplace benefits our employees' well-being, which in turn enhances their productivity.

Occupational Health and Safety

The Group is committed to safeguarding the safety, health and welfare of its employees and the general public who are likely to be affected by its business operations. We have implemented a "Safety Production Management Policy" that outlines the safety requirements and operating guidelines of every job position, as well as the handling and reporting protocols for accidents. Safety training and fire safety management protocols are also included in our policies.

The Group believes that preventive measures are far more important than reactive measures. Hence, we have implemented various measures to promote workplace safety among employees. We have posted safety requirements and guidelines regarding all production modes in every workshop. We have also equipped our office and workshops with sufficient fire equipment, such as fire extinguishers and fire hydrants. The equipment is under regular checks to confirm that it is in good condition. Fire and emergency drills are organised on a regular basis to familiarise our employees with the protocols for emergency situations. The performance of these drills is recorded for reviews and improvements. Safety training is also provided to our employees to ensure that they fully understand our safety policies and requirements and to prevent them from getting injured.

⁴ Employee turnover rate by category = Total number of employees leaving employment by category during the Reporting Period/Total number of employees by category at the end of the financial year x 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set a safety production target and plan, aiming for:

1. 0 cases of serious fire accidents or chemical incidents; and
2. An injury rate of less than or equal to 3% per year.

During the Reporting Year, the Group recorded 7 cases of work-related injuries, including 1 unfortunate fatality resulting from a forklift collision involving an employee. Consequently, a total of 65 working days were lost. The Group deeply mourns the unfortunate loss of a valued employee during our operations. We are profoundly saddened by this accident and pledge our full support to the affected family during this difficult time. The Group remains committed to providing affected employees with sufficient sick leave and support to ensure their full recovery.

In response to these incidents, the Group has pledged to provide sufficient days of sick leave for our employees to compensate for their injuries, and to allow sufficient time for recovery. The Group will conduct regular safety training to ensure employees' knowledge is up to date. Frequent checks and maintenance of machinery will also be conducted to ensure that they are safe for use.

Development and Training

The Group understands that employee development is indispensable for the company's growth, hence we promise to offer sufficient and effective training to its employees. We also regularly review the ability of employees in different employment levels so that our training can cater to their needs accordingly.

Internal training is provided to our employees to enhance their performance, professional skills and knowledge. External training courses and assessments initiated by our employees are also welcomed with subsidies and monetary rewards offered to employees who obtain certain professional certificates. We conduct employee performance appraisals on a regular basis. If an employee's performance is not on par with our standard, additional training and assessments will be required, which will help maintain his/her quality of work.

As mentioned above in the Occupational Health and Safety section, our employees are required to attend safety training. The safety training focuses on the prevention of accidents and procedures for the use of machinery, handling of chemicals, emergency management and incident reporting.

During the Reporting Year, all employees completed training. The percentage of employees trained during the Reporting Year are as follows:

Percentage of Employees Trained	2025
Total	13%
By Gender	
Male	84%
Female	16%
By Employment Category	
Management level	86%
Mid-level employees	12%
Entry-level employees	2%

During the Reporting Year, the average number of training hours completed per employee was 1.72 hours. The average training hours completed per employee in the relevant categories of the Group during the Reporting Year are as follows:

Average Training Hours	2025
Total	1.72
By Gender	
Male	0.48
Female	1.16
By Employment Category	
Management level	0.62
Mid-level employees	0.38
Entry-level employees	0.25

Labour Standards

The Group has complied with the relevant laws and regulations in preventing child labour, forced labour, and minimum wage specified by the government, including but not limited to "Labour Contract Law of the PRC", "Labour Law of the PRC", "Regulations on Paid Annual Leave of Employees", "Law on the Protection of Women's Rights and Interests of the PRC", "Law on the Protection of Disabled Persons of the PRC", "Social Insurance Law of the PRC", "Regulations on Management of Housing Provident Fund" and "Provisions of the State Council on Working Hours of Workers and Staff". The Group has formulated an "Employee Handbook" to outline aspects that merit employees' acknowledgement and consideration. The Group covered contents include but are not limited to staff recruitment, remuneration, working period, leave entitlement, pay rate, and compensation matters and procedures, with an aim to increase work efficiency and establish a uniform workflow. The Group guarantees that no employee is made to work against his/her will, subjected to forced labour, or coerced in connection with work. The Group adopts a whistle-blowing mechanism, allowing employees to voice out difficulties or injustices they face, so that management can follow up on the matter. Recruitment of child labour is strictly prohibited. New recruits are required to provide a copy of their identification document for age verification. No employee under the age of 18 has been recruited in the Reporting Year.

If any evidence of child labour is found, a rectification procedure will be initiated to provide the minors with the best possible support and to lessen any possible adverse impacts on them. A specialist team will be established to conduct prompt investigations and take appropriate action after receiving concerning cases.

Supply Chain Management

Being a group that manufactures and processes galvanised steel products, we recognise the importance of supply chain management regarding our major inventories – hot rolled coils and zinc blocks. The Group works closely with suppliers to reduce the environmental impact and risk arising from the supply chain to ensure the quality of goods and services offered to the customers. During the supplier selection process, we take into consideration a range of criteria, including qualification, reputation, product quality, quality consistency, compliance with environmental and social regulations, and the ability to deliver on time. Only suppliers who have passed the initial assessment can be added to our approved supplier list. Suppliers have to pass the annual assessment to be maintained on the list. We remove suppliers with unsatisfactory results from the approved supplier list to ensure the use of high-quality raw materials. As at 31 December 2025, we have developed long-term relationships with 413 approved suppliers in the PRC, supplying raw materials and auxiliary materials.

The Group recognises the importance of delivering high-quality products on time. Having inventories delivered by the suppliers promptly plays a significant role in our supply chain. To prevent the risk of inventory shortage caused by delayed delivery by the suppliers, we have stocked up our inventories to a safety level of 10,000 to 30,000 tonnes of raw materials. In addition, to minimise the risk of delayed delivery due to natural disasters and extreme weather, we have diversified our major sources of hot-rolled coil supply to two separate suppliers, with one being in the eastern PRC and another in the northern PRC. With the above mitigating measures, the Group did not encounter any inventory shortage in the Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As the midstream in the supply chain, we not only focus on upstream suppliers but also value developing long-term relationships with our downstream customers. As aforementioned, timely delivery is fundamental to successful supply chain management. To enhance our efficiency in delivering products, the Group has adopted both motor and water transport depending on the travel distance. Adopting two different delivery methods will significantly reduce operating costs and enhance delivery efficiency.

Product Responsibility

The Group is committed to complying with and even exceeding relevant industry and safety standards for the manufacture and processing of galvanised steel products. We place a strong emphasis on quality control to safeguard the Group's reputation and the public interest. With our preventive measures and stringent quality control system, no non-compliance issues were reported during the Reporting Year.

Quality Standards

The Group has established a "Quality Policy" to ensure we provide satisfactory products and services that meet customers' needs. The policy covers the inspection of purchased materials and production processes, and procedures for dealing with unsatisfactory products. We have continued to maintain our quality management system to a high standard. Regarding our compliance with relevant requirements, the Group has been certified to the ISO 9001: 2015 standard, which applies to the "Production of Cold Rolled Coils, Hot Zinc Coating Coils, and Colour Coating Steel Coils". During the Reporting Year, no product sold or shipped was subject to recalls for safety or health reasons.

Internal Inspection

The Group conducts 4 stages of internal inspection, starting from i) purchased materials, ii) the first stage of work-in-progress products, iii) work-in-progress products, and iv) finished goods. At every inspection stage, only the materials and products that have passed our assessment can be used for further processing. For materials and products that are below standard, the quality inspectors either rework them or dispose of them in accordance with the guidelines in the management procedures. A rectification report is also prepared for every unqualified case to analyse the cause and provide recommendations for future improvements.

Customers' Response

The Group always treasures customer relationships. We conduct customer satisfaction surveys regularly, inviting our customers to evaluate and rate our performance on product quality, price, and on-time delivery. Most of our evaluation results are satisfactory. Negative comments received from the survey should be fully investigated and addressed so that our operational processes and final products are subject to continuous improvement. During the Reporting Year, 118 complaints were reported regarding product quality. The Group takes all customer feedback and complaints seriously and will ensure immediate follow-up upon receipt. Employees from the Sales Department are responsible for recording and tracking the progress of complaint handling. The employee liable for a complaint investigates the issues and implements corrective actions. We recorded the complaints and how we handled them in detail, so we could analyse the causes and prevent similar cases from recurring in the future. All complaints received during the Reporting Year were resolved successfully. We will continue to maintain a good relationship with our customers and our current complaint management practices.

Intellectual Property Rights

The Group recognises the importance of protecting and enforcing its intellectual property rights, and strictly complies with all the relevant laws and regulations, including but not limited to the "Trade Marks Ordinance" and "Copyright Ordinance" in Hong Kong, and "Trademark Law of the PRC" and "Patent Law of the PRC". The Group has established an "Intellectual Property Management Policy" that includes measures to enforce and protect its intellectual property rights, register new patents, and encourage the Group's research and development of new intellectual property.

The Group has registered intellectual property that is material to our business operations. To prevent the infringement of intellectual property rights, we have signed Confidentiality Agreements or Non-Disclosure Agreements with our employees and subcontractors. The Group currently has 3 trademarks and 77 patents that are material to its business operations.

Data Privacy

The Group prohibits any leakage of data relating to the Group, its suppliers, and customers to any external parties. Disciplinary action will be taken against the employee in the event of a breach, and the Group reserves the right to take legal action. The Group has established an “Archives and Records Management Policy”, which includes measures for organizing and protecting the Group’s physical data files, access rights, and procedures for accessing files. The Group’s practices for collecting, using, and maintaining its information strictly comply with the “Personal Data (Privacy) Ordinance” in Hong Kong and the “Personal Information Protection Law” of the PRC.

Anti-corruption

The Group strictly complies with all applicable laws and regulations on anti-corruption, including, but not limited to, the “Anti-Money Laundering Law of the PRC”, “Anti-Unfair Competition Law of the PRC”, and “Criminal Law of the PRC”. The Group has established an “Anti-Bribery & Anti-Corruption Management Policy” that defines bribery and corruption, outlines the Group’s stance, and sets out employees’ responsibilities in anti-corruption. The Group takes this matter seriously and prohibits its employees from accepting any gifts or benefits without proper permission. Although the Group did not organise any anti-corruption training during the Reporting Year, all new recruits are required to sign an Employee Integrity Agreement, such that no bribe, fraud, or money laundering shall be performed for their personal gains at the expense of the Group’s interests. If an employee breaches the agreement, he/she will be penalised, and the Group will report the case to the relevant government authorities. As at 31 December 2025, there was no legal case relating to corruption brought against the Group or its employees. The Group is not aware of any violations of bribery, extortion, fraud, or money laundering.

The Group has adopted a “Whistle-blowing Policy” to encourage employees to report any suspicious fraudulent activities. We value and welcome our employees’ reports of any suspected malpractice, and management will take immediate action to investigate the issue. Moreover, the Group intends to protect the whistleblower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under this procedure shall be assured of protection against unfair termination or victimisation, even if the reports are subsequently proved to be unsubstantiated. A full investigation will then be conducted; disciplinary action will be taken against the employee involved upon confirmation of the occurrence; and further legal action may be taken, depending on the nature and particular circumstances of each case. The Group will also remain alert to corruption cases and industry-specific practices.

The Group will actively combat money laundering through public or private accounts and ensure there is no corruption or bribery within the Group. If employees want to report any suspicious cases of corruption, they can do so to the relevant management by telephone, e-mail, or letter.

Community Investment

During the Reporting Year, the Group demonstrated its ongoing commitment to social responsibility through strategic philanthropic initiatives, contributing a total of RMB500,000.00 to Changzhou Charity Federation.

Moving forward, the Group plans to continue investing more resources and engaging more employees in community activities. It aims to broaden its focus beyond poverty-related issues and explore other areas where it can make a meaningful impact. By doing so, the Group intends to encourage its employees to actively serve the community, foster a culture of corporate social responsibility, and generate positive benefits for society as a whole.

ENVIRONMENTAL DATA

Emissions Indicators	2025	2024
Air Emissions (kg)		
NOx emission	12,025.55	13,396.35
SOx emission	0.27	0.31
PM emission	1.50	1.69
GHG Emissions (TCO₂e)		
Scope 1 Direct emissions	24,854.39	27,052.53
Scope 2 Energy indirect emissions	40,559.69	43,188.14
Scope 3 Other indirect emissions	130.68	148.66
Total GHG emissions	65,544.76	70,389.33
GHG emissions intensity (TCO ₂ e/employee)	116.21	127.98
Hazardous Waste (Tonnes)		
Total hazardous waste produced	8,666.14	9,398.64
Hazardous waste intensity (Tonnes/employee)	15.37	17.09
Non-hazardous Waste (Tonnes)		
Total non-hazardous waste produced	20,266.94	22,077.46
Non-hazardous waste intensity (Tonnes/employee)	35.93	40.14
Use of Resources Indicators		
Energy Consumption (GWh)		
Direct energy consumption	120.06	133.74
Indirect energy consumption	70.21	75.73
Total energy consumption	190.27	209.47
Energy consumption intensity (GWh/employee)	0.34	0.38
Water Consumption (m³)		
Total water consumption	264,701.00	265,495.00
Water consumption intensity (m ³ /employee)	469.33	482.72
Packaging Materials		
Total packaging materials (Tonnes)	1,935.44	2,221.10
Packaging materials intensity (Tonnes/employee)	3.43	3.92



Independent auditor's report to the shareholders of KangLi International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KangLi International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 121, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 Hong Kong Standards on Auditing ("HKASAs") as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Valuation of inventories

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(j)(i).

The Key Audit Matter

At 31 December 2025, inventories of the Group comprised raw materials, consumables and finished goods. The carrying amount of the Group's inventories as at 31 December 2025 amounted to RMB488,123,000 which represented 29% of the Group's total assets.

The Group's inventories are valued at the lower of cost and net realisable value. The net realisable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's steel products, the estimated costs of completion of work-in-progress at the reporting date and the estimated costs necessary to make the sale.

The selling prices of the Group's steel products are mostly affected by the price volatility of raw materials, particularly if the market prices of raw materials decline significantly after the reporting date, the net realisable value of the Group's raw materials and finished goods may be less than the cost.

We identified the valuation of inventories as a key audit matter because of its significance to the Group's total assets, and because determining the net realisable value involves significant management judgement and estimation, which can be inherently subjective and increase the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess valuation of inventories included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over inventory management;
- Obtaining an understanding of management's basis of estimating the net realisable value and the key judgement involved in estimating the future selling prices of steel products;
- Evaluating the calculations made by management in arriving at the net realisable values of the inventories by assessing the reasonableness of the estimated selling prices of the steel products with reference to the market prices of raw materials and the reasonableness of the estimated costs of completion and the costs to make the sale; and
- Comparing the carrying values of finished goods, on a sample basis, to their selling prices as indicated in sales invoices subsequent to the reporting date to evaluate management's estimates of net realisable value.

KEY AUDIT MATTERS (CONTINUED)

Loss allowance for trade receivables

Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 2(i)(i).

The Key Audit Matter

At 31 December 2025, the Group's gross trade receivables totalled RMB347,500,000. Loss allowance of RMB1,651,000 was recorded.

Management measured loss allowance at an amount equal to expected credit losses ("ECL"s). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The ECLs take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, and the Group's view of economic conditions over the expected lives of the trade receivables.

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

How the matter was addressed in our audit

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

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the credit control process, the trade receivables collection process and the making of loss allowances for trade receivables;
- Obtaining an understanding on the key data and assumptions of the ECL model adopted by the management, including the historical default data, ageing of trade receivable balances, credit terms granted, recent settlement patterns and forecast of future economic conditions;
- Assessing the reasonableness of management's estimates on loss allowance by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- Assessing whether items were correctly categorised in the trade receivables ageing report by comparing a sample of individual items with the relevant underlying documentation; and
- Assessing the disclosures in the consolidated financial statements in relation to the loss allowances for trade receivables with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hui Sau Yee, Jenny (practising certificate number: P05552).

KPMG

Certified Public Accountants

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

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2025
(Expressed in Renminbi ("RMB"))

	Note	2025 RMB'000	2024 RMB'000 (Restated*)
Continuing operations			
Revenue	5	1,617,713	1,938,246
Cost of sales	7(c)	(1,470,525)	(1,726,419)
Gross profit	5(b)	147,188	211,827
Other income	6	2,869	11,747
Selling expenses		(65,738)	(69,834)
Administrative expenses		(25,729)	(28,249)
Impairment losses (provided)/reversed on trade receivables	25(a)	(420)	702
Profit from operations		58,170	126,193
Finance costs	7(a)	(13,601)	(18,244)
Profit before taxation	7	44,569	107,949
Income tax	8	(4,321)	(15,504)
Profit for the year from continuing operations		40,248	92,445
Discontinued operation			
(Loss)/profit for the year from discontinued operation, net of tax	4	(194)	258
Profit for the year attributable to equity shareholders of the Company		40,054	92,703
Earnings per share			
Basic and diluted (RMB cents)	11	6.61	15.29
Earnings per share – Continuing operations			
Basic and diluted (RMB cents)	11	6.64	15.25

* Comparative information has been restated due to a discontinued operation (see Note 4 for details).

The notes on pages 73 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025
(Expressed in RMB)

	2025 RMB'000	2024 RMB'000 (Restated*)
Profit for the year	40,054	92,703
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements denominated in foreign currencies	(500)	72
Total comprehensive income for the year	39,554	92,775
Attributable to equity shareholders of the Company:		
From continuing operations	39,748	92,569
From discontinued operation	(194)	206
Total comprehensive income for the year	39,554	92,775

The notes on pages 73 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2025
(Expressed in RMB)

	Note	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	12	310,188	334,187
Loan to a related party	13	23,025	21,925
		333,213	356,112
Current assets			
Inventories	15	488,123	433,554
Trade and bills receivables	16	480,134	469,839
Prepayments, deposits and other receivables	17	172,668	198,545
Cash at bank and on hand	18(a)	211,362	239,102
		1,352,287	1,341,040
Current liabilities			
Trade and bills payables	19	263,066	357,820
Accrued expenses and other payables	20	19,310	40,492
Bank loans	21(a)	385,522	276,500
Lease liabilities	22	1,861	1,690
Current taxation	23(a)	30,007	31,512
		699,766	708,014
Net current assets		652,521	633,026
Total assets less current liabilities		985,734	989,138
Non-current liabilities			
Bank loans	21(b)	28,800	72,600
Lease liabilities	22	28,176	27,631
Other non-current liabilities		3,167	3,484
Deferred tax liabilities	23(b)	10,978	10,364
		71,121	114,079
NET ASSETS		914,613	875,059
CAPITAL AND RESERVES			
Share capital	24	534	534
Reserves		914,079	874,525
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		914,613	875,059

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

Liu Ping
Chairperson

Lu Xiaoyu
Director

The notes on pages 73 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025
(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 Note 24(b)	Share premium RMB'000 Note 24(d)	Other reserve RMB'000 Note 24(e)	Capital reserve RMB'000 Note 24(f)	Statutory reserve RMB'000 Note 24(g)	Exchange reserve RMB'000 Note 24(h)	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2024	534	142,753	180,000	107,021	40,365	233	311,378	782,284
Changes in equity for 2024:								
Profit for the year	-	-	-	-	-	-	92,703	92,703
Other comprehensive income for the year	-	-	-	-	-	72	-	72
Total comprehensive income for the year	-	-	-	-	-	72	92,703	92,775
Appropriation to reserve	-	-	-	-	9,956	-	(9,956)	-
Balance at 31 December 2024	534	142,753	180,000	107,021	50,321	305	394,125	875,059

The notes on pages 73 to 121 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2025
(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Other reserve	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total
	RMB'000 Note 24(b)	RMB'000 Note 24(d)	RMB'000 Note 24(e)	RMB'000 Note 24(f)	RMB'000 Note 24(g)	RMB'000 Note 24(h)	RMB'000	RMB'000
Balance at 1 January 2025	534	142,753	180,000	107,021	50,321	305	394,125	875,059
Changes in equity for 2025:								
Profit for the year	-	-	-	-	-	-	40,054	40,054
Other comprehensive income for the year	-	-	-	-	-	(500)	-	(500)
Total comprehensive income for the year	-	-	-	-	-	(500)	40,054	39,554
Appropriation to reserve	-	-	-	-	4,547	-	(4,547)	-
Balance at 31 December 2025	534	142,753	180,000	107,021	54,868	(195)	429,632	914,613

The notes on pages 73 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2025
(Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Profit/(loss) before taxation		44,404	108,271
– Continuing operations		44,569	107,949
– Discontinued operation		(165)	322
Adjustments for:			
Depreciation expenses		24,457	28,652
Net loss on disposal of property, plant and equipment	6	139	116
Net loss on disposal of subsidiaries	4(a)	308	–
Finance costs	7(a)	13,601	18,247
Interest income	6	(2,367)	(3,098)
Changes in working capital:			
(Increase)/decrease in inventories		(54,569)	26,047
(Increase)/decrease in trade and bills receivables		(11,690)	79,700
Decrease in prepayments, deposits and other receivables		25,866	27,785
Decrease in trade and bills payables		(94,103)	(18,206)
Decrease in accrued expenses and other payables		(3,350)	(1,501)
Decrease/(increase) in restricted bank deposits in connection with bills issued		9,646	(7,156)
Cash (used in)/generated from operations		(47,658)	258,857
Income tax paid	23(a)	(5,241)	(11,385)
Net cash (used in)/generated from operating activities		(52,899)	247,472
Investing activities			
Payments for the purchase of property, plant and equipment		(17,415)	(15,267)
Proceeds from disposal of property, plant and equipment		301	129
Disposal of subsidiaries, net of cash disposed of	4(c)	337	–
Interest received		1,267	1,998
Net cash used in investing activities		(15,510)	(13,140)
Financing activities			
Proceeds from new bank and other loans	18(b)	366,732	343,100
Repayment of bank and other loans	18(b)	(301,510)	(495,328)
Capital element of lease rentals paid	18(b)	(833)	(969)
Interest element of lease rentals paid	18(b)	(1,451)	(1,471)
Net decrease in amounts due to related parties	18(b)	(86)	(279)
Interest paid	18(b)	(12,150)	(16,776)
Net cash generated from/(used in) financing activities		50,702	(171,723)
Net (decrease)/increase in cash and cash equivalents		(17,707)	62,609
Cash and cash equivalents at 1 January	18(a)	142,386	79,430
Effect of foreign exchange rate changes		(387)	347
Cash and cash equivalents at 31 December	18(a)	124,292	142,386

The notes on pages 73 to 121 form part of these financial statements.

1 CORPORATE INFORMATION

KangLi International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 December 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 November 2018. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products, and the provision of property management services.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Material accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair values as explained in the accounting policies set out in Note 2(e).

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

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

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale.

(e) Derivative financial instruments

The Group holds derivative financial instruments to manage its exposure to the price fluctuations of its raw materials (i.e. steel).

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	35 years
Machinery and equipment	3 – 15 years
Motor vehicles and other equipment	3 – 5 years
Right-of-use assets	Over the term of the lease

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components). Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. Construction in progress is not depreciated until it is completed and ready for its intended use.

(g) Research and development expenditures

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

(h) Leased assets

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

As a lessee

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (Continued)

As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(i)(ii)).

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

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

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECL"s) on financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables) and contract assets.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls for trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past the contractual due date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being past the contractual due date;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Write-off policy

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

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

(ii) Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(i)(i) and 2(i)(ii)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(j)(i)).

Incremental costs of obtaining a contract, e.g. sales commission, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(s)).

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(i)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see Note 2(l)).

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

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs (see Note 2(i)(i)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other payables

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

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(u).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combinations, or items recognised directly in equity, or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions, and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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

(s) Revenue and other income

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

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

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

(i) Sale of goods

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

If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income (Continued)

(ii) Property management services

Revenue from the provision of property management services is generally recognised over time during which the services are provided to customers.

(iii) Interest income

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

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the foreign exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates approximating the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Where an operation is classified as discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(w) Related parties

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant sources of estimation uncertainty and accounting judgement made by the management are as follows:

(a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(i)(ii). When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the asset and could result in additional impairment charge or reversal of impairment in future periods.

(b) Expected credit loss for receivables

The credit loss allowances for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss.

(c) Depreciation

Property, plant and equipment are depreciated over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management of the Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Determining the lease term

As explained in policy Note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future periods.

4 DISCONTINUED OPERATION

In the first quarter of 2025, the Group sold its wholly-owned subsidiaries, Lucky Classic Limited and Lucky Star Property Management Corporation, which operated property management in the Philippines to a third party at a cash consideration of RMB1,638,000. Management made such strategic decision to place greater focus on the Group's key competencies i.e. manufacture and sale of steel products. Accordingly, the financial results of these subsidiaries before disposal were presented as "Discontinued operation" in the consolidated financial statements in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and comparative information has been restated.

(a) Results of discontinued operation

	Note	For the period from 1 January 2025 to 28 February 2025 RMB'000	For the year ended 31 December 2024 RMB'000
Revenue		1,029	6,165
Cost of sales		(640)	(4,267)
Other income		4	29
Administrative expenses		(250)	(1,602)
Finance costs		–	(3)
Results from operating activities		143	322
Income tax		(29)	(64)
Net loss on disposal of subsidiaries		(308)	–
(Loss)/profit for the period/year from discontinued operation, net of tax		(194)	258
(Loss)/earnings per share			
Basic and diluted (RMB cents)	11	(0.03)	0.04

4 DISCONTINUED OPERATION (CONTINUED)

(b) Cash flows generated from/(used in) discontinued operation

	For the period from 1 January 2025 to 28 February 2025 RMB'000	For the year ended 31 December 2024 RMB'000
Net cash used in operating activities	(138)	(373)
Net cash generated from/(used in) investing activities	337	(5)
Net cash used in financing activities	–	(118)
Net cash inflows/(outflows) for the period/year	199	(496)

(c) Effect of disposal on the financial position of the Group

	Note	As at 28 February 2025 RMB'000
Property, plant and equipment	12	38
Trade receivables		1,395
Other receivables		166
Cash and cash equivalents		1,301
Trade payables		(651)
Accrued expense and other payables		(303)
Net assets		1,946
Consideration received, satisfied in cash		1,638
Cash and cash equivalents disposed of		(1,301)
Net cash inflows		337

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products, and the provision of property management services. Further details regarding the Group's principal activities are disclosed in Note 5(b).

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Continuing operations		
Manufacture and sale of steel products:		
– Sales of hard steel coil	171,922	159,227
– Sales of unpainted galvanised steel products	846,348	1,025,588
– Sales of painted galvanised steel products	599,443	753,431
Total revenue from continuing operations	1,617,713	1,938,246
Discontinued operation		
Provision of property management services	1,029	6,165
	1,618,742	1,944,411

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in Note 5(b) and Note 5(c) respectively.

The Group's customer with whom transactions have exceeded 10% of the Group's revenue is as below:

	2025 RMB'000	2024 RMB'000
Customer A	198,016	221,257
Customer B	162,162	86,753*

* Transactions with this customer did not exceed 10% of the Group's revenue in year 2024.

Details of concentration of credit risk arising from the Group's customers are set out in Note 25(a).

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Hard steel coil: this segment includes primarily the manufacture and sale of cold-rolled hard steel coil.
- Unpainted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped galvanised/zinc coated steel coil and sheet.
- Painted galvanised steel products: this segment includes primarily the manufacture and sale of hot-dipped color coated galvanised steel coil and sheet.
- Property management services: this segment includes the provision of property management services.

(i) Segment results, assets and liabilities

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

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the cost incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the years ended 31 December 2025 and 2024. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, selling and administrative expenses and impairment loss on financial instruments, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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

	2025					Total RMB'000
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	Sub-total (Continuing operations) RMB'000	Property management services (Discontinued operation) RMB'000	
Disaggregated by timing of revenue recognition						
– Point in time	171,922	846,348	599,443	1,617,713	–	1,617,713
– Over time	–	–	–	–	1,029	1,029
Revenue from external customers	171,922	846,348	599,443	1,617,713	1,029	1,618,742
Reportable segment gross profit	14,184	76,970	56,034	147,188	389	147,577

	2024					Total RMB'000
	Hard steel coil RMB'000	Unpainted galvanised steel products RMB'000	Painted galvanised steel products RMB'000	Sub-total (Continuing operations) RMB'000	Property management services (Discontinued operation) RMB'000	
Disaggregated by timing of revenue recognition						
– Point in time	159,227	1,025,588	753,431	1,938,246	–	1,938,246
– Over time	–	–	–	–	6,165	6,165
Revenue from external customers	159,227	1,025,588	753,431	1,938,246	6,165	1,944,411
Reportable segment gross profit	12,185	113,948	85,694	211,827	1,898	213,725

5 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment profit or loss

	2025 RMB'000	2024 RMB'000 (Restated)
Reportable segment gross profit from continuing operations	147,188	211,827
Other income	2,869	11,747
Selling expenses	(65,738)	(69,834)
Administrative expenses	(25,729)	(28,249)
Impairment losses (provided)/reversed on trade receivables	(420)	702
Finance costs	(13,601)	(18,244)
Consolidated profit before taxation from continuing operations	44,569	107,949

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods were delivered or services were provided.

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
The People's Republic of China (the "PRC")	1,487,778	1,756,293
Thailand	94,001	126,352
Indonesia	19,187	19,016
Korea	5,160	30,818
Other countries	11,587	5,767
Total revenue from external customers from continuing operations	1,617,713	1,938,246
Discontinued operation		
The Philippines	1,029	6,165
	1,618,742	1,944,411

Substantially all of the Group's non-current assets are located in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is presented.

6 OTHER INCOME

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Interest income from banks and other financial institutions	1,263	1,997
Interest income from loan to a related party	1,100	1,100
	2,363	3,097
Net foreign exchange (loss)/ gain	(230)	2,370
Government grants	639	6,027
Net loss on disposal of property, plant and equipment	(139)	(116)
Others	236	369
	2,869	11,747

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Interest expenses on bank loans	12,150	16,776
Interest expenses on lease liabilities	1,451	1,468
	13,601	18,244

(b) Staff costs[#]

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Salaries, wages and other benefits	63,513	64,459
Contributions to defined contribution retirement plans	5,401	5,143
	68,914	69,602

[#] The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit plans managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs# (Continued)

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar (“HK\$”) 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Depreciation expenses: (Note 12)#		
– owned property, plant and equipment	21,497	25,549
– right-of-use assets	2,960	2,977
	24,457	28,526
Auditors’ remuneration:		
– audit services	1,600	1,600
– other services	246	246
	1,846	1,846
Cost of inventories (Note 15(b))#	1,470,525	1,730,686

Cost of inventories includes RMB67,373,000 (2024: RMB73,274,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Current taxation (Note 23(a)):		
PRC Corporate Income Tax:		
– Provision for the year	3,638	8,866
– Under-provision in respect of prior years	69	21
	3,707	8,887
Hong Kong Profits Tax:		
– Provision for the year	–	348
	3,707	9,235
Deferred taxation (Note 23(b)):		
Reversal and origination of temporary differences	614	6,269
	4,321	15,504

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

	2025 RMB'000	2024 RMB'000
Continuing operations		
Profit before taxation	44,569	107,949
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	12,077	27,829
Tax effect of non-deductible expenses	1,864	1,693
Tax concessions (Notes (ii) and (iii))	(9,689)	(17,039)
Under-provision in respect of prior years	69	21
Tax effect of the withholding tax in connection with the retained profits distributed or to be distributed by a subsidiary of the Group (Note (iv))	–	3,000
Actual tax expense	4,321	15,504

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

Notes:

- (i) The Company and subsidiaries of the Group incorporated in the Cayman Islands or the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective jurisdictions of incorporation.
- (ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the year ended 31 December 2025 (2024: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

- (iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2025 (2024: 25%).

The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified enterprises to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria. A subsidiary of the Group established in the PRC was qualified as a HNTE and is entitled to the preferential tax rate of 15% for the calendar years 2025 to 2028.

The PRC Corporate Income Tax Law allows small low-profit enterprises to count 25% of the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million as taxable income and apply preferential corporate income tax rate of 20%. A subsidiary of the Group established in the PRC was qualified and entitled the preferential tax rate for the calendar year 2025.

According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for calculating income tax purpose, i.e. an additional 100% of such costs could be utilised as additional deductible expenses for the year ended 31 December 2025 (2024: 100%).

- (iv) Pursuant to the Sino-Hong Kong Double Tax Arrangement, dividends paid by entities in Chinese Mainland to Hong Kong entities are subject to a PRC withholding Tax rate of 10%. Accordingly, deferred tax liabilities of RMB3,000,000 has been recognised for the year ended 31 December 2024 in respect of the withholding tax that would be payable on the distribution of retained profits from the subsidiary to KangLi (HK) Limited in the foreseeable future.

9 DIRECTORS' EMOLUMENTS

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

	2025				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Mei Zefeng	-	384	-	16	400
Ms Liu Ping	110	797	-	32	939
Mr Zhang Zhihong	110	614	-	20	744
Ms Lu Xiaoyu	110	354	-	18	482
Mr Xu Chao	110	425	-	24	559
Independent non-executive directors					
Mr Lau Ying Kit	220	-	-	-	220
Mr Cao Cheng	110	-	-	-	110
Mr Yang Guang	110	-	-	-	110
	880	2,574	-	110	3,564

	2024				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Mei Zefeng	-	383	-	17	400
Ms Liu Ping	109	703	-	32	844
Mr Zhang Zhihong	109	627	-	20	756
Ms Lu Xiaoyu	109	344	-	18	471
Mr Xu Chao	109	302	-	15	426
Independent non-executive directors					
Mr Lau Ying Kit	219	-	-	-	219
Mr Cao Cheng	109	-	-	-	109
Mr Yang Guang	109	-	-	-	109
	873	2,359	-	102	3,334

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2024: two) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other one (2024: three) individual are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	791	2,598
Retirement scheme contributions	12	52
	803	2,650

The emoluments of the individuals who are not director and who are amongst the five highest paid individuals of the Group are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$Nil – HK\$1,000,000	1	2
HK\$1,500,001 – HK\$2,000,000	–	1

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2025 is calculated based on the profit attributable to the equity shareholders of the Company and the weighted average of 606,252,000 (2024: 606,252,000) ordinary shares in issue during the year.

	Continuing operations RMB'000	2025 Discontinued operation RMB'000	Total RMB'000	Continuing operations RMB'000	2024 Discontinued operation RMB'000	Total RMB'000
Profit/(loss) attributable to equity shareholders of the Company	40,248	(194)	40,054	92,445	258	92,703

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2025 and 2024.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of the carrying amount

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:						
At 1 January 2024	185,191	798,302	45,033	1,426	53,939	1,083,891
Additions	577	492	5,228	3,293	410	10,000
Transfer in/(out)	-	4,612	-	(4,612)	-	-
Disposals	-	(290)	(200)	-	(2,712)	(3,202)
At 31 December 2024	185,768	803,116	50,061	107	51,637	1,090,689
Additions	95	2,667	5,103	1,749	1,549	11,163
Transfer in/(out)	-	1,693	-	(1,693)	-	-
Disposals	-	(949)	(635)	-	(1,320)	(2,904)
Write off	(7,834)	(3,048)	-	-	-	(10,882)
Disposal of subsidiaries	-	(22)	(34)	-	-	(56)
At 31 December 2025	178,029	803,457	54,495	163	51,866	1,088,010
Accumulated depreciation:						
At 1 January 2024	(48,215)	(643,002)	(27,773)	-	(11,817)	(730,807)
Charge for the year	(4,933)	(15,026)	(5,601)	-	(3,092)	(28,652)
Written back on disposals	-	55	190	-	2,712	2,957
At 31 December 2024	(53,148)	(657,973)	(33,184)	-	(12,197)	(756,502)
Charge for the year	(4,791)	(10,651)	(6,055)	-	(2,960)	(24,457)
Written back on disposals	-	568	420	-	1,320	2,308
Write off	425	386	-	-	-	811
Disposal of subsidiaries	-	6	12	-	-	18
At 31 December 2025	(57,514)	(667,664)	(38,807)	-	(13,837)	(777,822)
Carrying amount:						
At 31 December 2025	120,515	135,793	15,688	163	38,029	310,188
At 31 December 2024	132,620	145,143	16,877	107	39,440	334,187

- (b) Certain of the Group's property, plant and equipment are pledged as collaterals for the Group's bank loans. Further details are set out in Note 21.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets

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

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Land use rights held for own use, carried at depreciated cost	36,403	38,580
Office premises and warehouses held for own use, carried at depreciated cost	1,626	860
	38,029	39,440

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

	2025 RMB'000	2024 RMB'000 (Restated)
Continuing operations		
Depreciation expenses of right-of-use assets by class of underlying asset:		
– Land use rights held for own use	2,177	2,177
– Office premises and warehouses held for own use	783	800
	2,960	2,977
Interest expenses on lease liabilities (Note 7(a))	1,451	1,468
Operating lease expenses relating to short-term leases	1,397	1,370

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(c) and 22, respectively.

13 LOAN TO A RELATED PARTY

On 28 February 2023, a loan agreement was entered into between a subsidiary of the Group, Jiangsu Jiangnan Precision Metal Material Co., Limited (“Jiangnan Precision”), as lender, Jiangsu Jiangnan Tiehejin Co., Ltd. (“Jiangnan Tiehejin”), a company controlled by the ultimate controlling parties of the Company, as borrower, and Mr Mei Zefeng, as guarantor. Pursuant to the loan agreement, Jiangnan Precision agreed to grant a loan in the principal sum of RMB20,000,000 bearing interest at 5.5% per annum to Jiangnan Tiehejin for a term of 3 years. Accrued interest is receivable upon maturity of the loan.

Pursuant to the loan agreement, one of the conditions precedent to the drawdown of the loan includes Jiangnan Precision and Jiangnan Tiehejin having entered into an option agreement. The option agreement was entered into between Jiangnan Precision and Jiangnan Tiehejin on 28 February 2023, pursuant to which a property acquisition option is granted to Jiangnan Precision, at nil consideration, to acquire a property to be constructed in Changzhou Economic Development Zone, to increase the office capacity of the Group. It is in Jiangnan Precision’s sole discretion whether to exercise such option.

On 27 February 2026, Jiangnan Precision and Jiangnan Tiehejin extended the loan agreement for another term of 3 years with major contract terms remain the same except for interest rate was reduced to 4% per annum.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries	Place and date of establishment/ incorporation	Particulars of registered/issued and paid up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Jiangnan Precision (Notes (i)) 江蘇江南精密金屬材料有限公司	The PRC 8 August 2003	Registered paid up capital of RMB380,000,000	100%	–	100%	Manufacture and sale of hard steel coil, unpainted galvanised steel products and painted galvanised steel products
KangLi (HK) Limited	Hong Kong 17 July 2017	10,000 shares	100%	–	100%	Investment holding and trading of steel products

Note:

- (i) The English translation of the name is for identification only. The official name of this entity is in Chinese.

15 INVENTORIES

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

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Raw materials and consumables	192,010	123,506
Finished goods	296,113	310,048
	488,123	433,554
Less: write down of inventories	–	–
	488,123	433,554

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

	2025 RMB'000	2024 RMB'000 (Restated)
Carrying amounts of inventories sold	1,470,525	1,730,686

16 TRADE AND BILLS RECEIVABLES

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Trade receivables, net of loss allowance	345,849	196,169
Bills receivables (Note 16(c))	134,285	273,670
Financial assets measured at amortised cost	480,134	469,839

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

16 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

The ageing analysis of trade receivables, based on the dates of revenue being recognised and net of loss allowance, is as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 month	200,618	138,502
1 to 3 months	142,998	52,993
3 to 6 months	14	2,878
6 to 12 months	2,219	1,796
	345,849	196,169

The balance of bills receivables represents bank acceptance notes and other financial institution acceptance notes received from customers with maturity dates of less than six months.

Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 25(a).

- (b) At 31 December 2025, the Group has discounted certain of the bank acceptance notes it received from customers at banks, and endorsed certain of the bank acceptance notes it received from customers to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivables in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are of high credit standings and non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 31 December 2025, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the notes on maturity dates amounted to RMB244,743,000 (2024: RMB309,322,000).
- (c) At 31 December 2025, bills receivables include bank acceptance notes endorsed to suppliers with recourse totalling RMB3,429,000 (2024: RMB8,669,000). These bills receivables were not derecognised as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated trade payables amounted to RMB3,429,000 (2024: RMB8,669,000).
- (d) At 31 December 2025, trade receivables of RMB3,572,000 (2024: RMB7,100,000) were discounted at banks. These trade receivables were not derecognised as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans amounted to RMB3,572,000 (2024: RMB7,100,000) (see Note 21).

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Prepayments for:		
– Purchase of raw materials	169,651	195,574
– Utilities and other expenses	390	813
	170,041	196,387
Other debtors	2,627	2,158
Financial assets measured at amortised cost	2,627	2,158
	172,668	198,545

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Cash at bank	211,328	238,996
Cash on hand	34	106
Cash at bank and on hand included in the consolidated statement of financial position	211,362	239,102
Less: restricted deposits (Note (i))	(87,070)	(96,716)
Cash and cash equivalents included in the consolidated cash flow statement	124,292	142,386

The Group's operations in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

Note:

- (i) Restricted deposits represent deposits placed at banks as collaterals for bills issued and bank loans drawn by the Group.

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 (Note 21)	Interest payable RMB'000	Amounts due to related parties RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2025	349,100	-	86	29,321	378,507
Changes from financing cash flows:					
Proceeds from new bank and other loans	366,732	-	-	-	366,732
Repayment of bank and other loans	(301,510)	-	-	-	(301,510)
Capital element of lease rentals paid	-	-	-	(833)	(833)
Interest element of lease rentals paid	-	-	-	(1,451)	(1,451)
Net decrease in amounts due to related parties	-	-	(86)	-	(86)
Interest paid	-	(12,150)	-	-	(12,150)
Total changes from financing cash flows	65,222	(12,150)	(86)	(2,284)	50,702
Other changes:					
Increase in lease liabilities from entering into new leases during the year	-	-	-	1,549	1,549
Finance costs (Note 7(a))	-	12,150	-	1,451	13,601
Total other changes	-	12,150	-	3,000	15,150
At 31 December 2025	414,322	-	-	30,037	444,359

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other loans RMB'000 (Note 21)	Interest payable RMB'000	Amounts due to related parties RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2024	501,328	–	365	29,880	531,573
Changes from financing cash flows:					
Proceeds from new bank and other loans	343,100	–	–	–	343,100
Repayment of bank and other loans	(495,328)	–	–	–	(495,328)
Capital element of lease rentals paid	–	–	–	(969)	(969)
Interest element of lease rentals paid	–	–	–	(1,471)	(1,471)
Net decrease in amounts due to related parties	–	–	(279)	–	(279)
Interest paid	–	(16,776)	–	–	(16,776)
Total changes from financing cash flows	(152,228)	(16,776)	(279)	(2,440)	(171,723)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	410	410
Finance costs (Note 7(a))	–	16,776	–	1,471	18,247
Total other changes	–	16,776	–	1,881	18,657
At 31 December 2024	349,100	–	86	29,321	378,507

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows – lease rentals paid	1,397	1,370
Within financing cash flows – lease rentals paid	2,284	2,440
	3,681	3,810

19 TRADE AND BILLS PAYABLES

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Trade and bills payables:		
– Trade payables	54,269	65,130
– Bills payables	201,027	262,082
Financial liabilities measured at amortised cost	255,296	327,212
Contract liabilities:		
– Receipts in advance from customers	7,770	30,608
	263,066	357,820

All of the trade and bills payables are expected to be settled within one year or are repayable on demand. All of the contract liabilities are expected to be recognised as revenue within one year.

At the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice dates, is as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Within 3 months	115,767	208,080
3 to 6 months	138,061	117,459
Over 6 months	1,468	1,673
	255,296	327,212

20 ACCRUED EXPENSES AND OTHER PAYABLES

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Payables for construction of property, plant and equipment	10,252	28,935
Payables for other taxes	1,824	5,775
Payables for staff related costs	6,036	4,239
Amounts due to related parties (Note (i))	–	86
Others	1,198	1,457
Financial liabilities measured at amortised cost	19,310	40,492

All of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Note (i): The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

21 BANK LOANS

(a) The Group's short-term loans are analysed as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment (Note 21(c))	45,000	10,000
– Secured by the Group's restricted bank deposits (Note 21(c))	45,000	–
– Secured by the Group's trade and bills receivables (Note 21(c))	3,572	7,100
– Guaranteed by third parties	45,000	45,000
– Unsecured and unguaranteed	193,150	130,000
	331,722	192,100
Add: current portion of long-term bank and other loans (Note 21(b))	53,800	84,400
	385,522	276,500

(b) The Group's long-term bank loans are analysed as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment or restricted bank deposits (Note 21(c))	52,600	138,000
– Unsecured and unguaranteed	30,000	19,000
	82,600	157,000
Less: current portion of long-term bank and other loans (Note 21(a))	(53,800)	(84,400)
	28,800	72,600

The Group's long-term bank loans are repayable as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 year	53,800	84,400
After 1 year but within 2 years	28,800	72,600
	82,600	157,000

21 BANK LOANS (CONTINUED)

- (c) The analysis of the Group's assets pledged for the Group's bank loans is as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Secured by property, plant and equipment (Note 12)	96,474	100,665
Secured by trade receivables (Note 16)	3,572	7,100
Secured by restricted bank deposits (Note 18(a))	30,000	30,000
	130,046	137,765

- (d) At 31 December 2025, the banking facilities of the Group amounted to RMB 1,080,000,000 (2024: RMB1,070,000,000) were secured by the Group's property, plant and equipment, bank deposits and guaranteed by third parties, or unsecured and unguaranteed. These facilities were utilised to the extent of RMB549,969,000 at 31 December 2025 (2024: RMB535,360,000).
- (e) Certain of the Group's bank loans are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group did not identify any difficulties complying with the covenants. Further details of the Group's management of liquidity risk are set out in Note 25(b). At 31 December 2025 and 2024, none of the covenants relating to the bank loans had been breached.

22 LEASE LIABILITIES

At 31 December 2025, the lease liabilities of the Group were repayable as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Within 1 year	1,861	1,690
After 1 year but within 2 years	2,084	1,351
After 2 years but within 5 years	3,774	3,774
After 5 years	22,318	22,506
	28,176	27,631
	30,037	29,321

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At 1 January	31,512	33,598
Provision for the year:		
– continuing operations (Note 8(a))	3,707	9,235
– discontinued operations (Note 4(a))	29	64
Income tax paid during the year	(5,241)	(11,385)
At 31 December	30,007	31,512

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Assets				Liabilities				Net
	Unused tax losses	Credit loss allowance	Lease liabilities	Remeasurement of derivative financial instruments	Government grants and depreciation on related assets	Accelerated tax allowance for depreciation expenses	Right-of-use assets	Withholding tax related to retained profits to be distributed from a PRC subsidiary	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	2,082	290	4,141	(18)	964	(8,315)	(3,239)	-	(4,095)
(Charged)/credited to the consolidated statement of profit or loss (Note 8(a))	(2,082)	(106)	16	18	(394)	(867)	146	(3,000)	(6,269)
At 31 December 2024 and 1 January 2025	-	184	4,157	-	570	(9,182)	(3,093)	(3,000)	(10,364)
(Charged)/credited to the consolidated statement of profit or loss (Note 8(a))	-	62	29	-	(47)	(780)	122	-	(614)
At 31 December 2025	-	246	4,186	-	523	(9,962)	(2,971)	(3,000)	(10,978)

(c) Deferred tax liabilities not recognised

At 31 December 2025, deferred tax liabilities of RMB33,802,000 (2024: RMB32,620,000) on taxable temporary differences relating to the retained profits of the Group's subsidiary established in the PRC (excluding Hong Kong) amounted to RMB338,022,000 (2024: RMB326,196,000) have not been recognised. These deferred tax liabilities have not been recognised in respect of the PRC withholding tax that would be payable on the distributions of these retained profits as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the year are set out in the consolidated statement of changes in equity.

Details of the changes of the Company's individual components of equity are set out below:

	Share capital RMB'000 Note 24(b)	Share premium RMB'000 Note 24(d)	Exchange reserve RMB'000 Note 24(h)	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2024	534	142,753	(2,661)	27,343	167,969
Changes in equity for 2024:					
Loss for the year	-	-	-	(3,177)	(3,177)
Other comprehensive income for the year	-	-	69	-	69
Total comprehensive income for the year	-	-	69	(3,177)	(3,108)
Balance at 31 December 2024 and 1 January 2025	534	142,753	(2,592)	24,166	164,861
Changes in equity for 2025:					
Loss for the year	-	-	-	(2,592)	(2,592)
Other comprehensive income for the year	-	-	(132)	-	(132)
Total comprehensive income for the year	-	-	(132)	(2,592)	(2,724)
Balance at 31 December 2025	534	142,753	(2,724)	21,574	162,137

(b) Share capital

	2025		2024	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.001 each	5,000,000	5,000	5,000,000	5,000
	2025		2024	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	606,252,000	534	606,252,000	534

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends

No dividends have been paid or declared during the year ended 31 December 2025 and 2024.

(d) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(e) Other reserve

The balance of other reserve of the Group represented the difference of the paid-in capital of Jiangnan Precision and the consideration paid by the Company, via a wholly-owned subsidiary, during a Group reorganisation took place in preparation of the listing of the Company in 2018.

(f) Capital reserve

The balance of capital reserve represented contributions from equity holders into Jiangnan Precision in the form of debt exemption prior to the listing of the Company in 2018.

(g) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiary established in Chinese Mainland is required to transfer 10% of its net profit to the statutory reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(h) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(t).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Generally, trade receivables are due within 30 to 180 days from the date of billing, except for certain large customers where credit term up to one year are granted. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12.5% (2024: 5.8%) and 47.7% (2024: 25.5%) of the total trade and bills receivables was due from the Group's largest debtor and the five largest debtors, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2025:

	At 31 December 2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.06%	323,945	(194)
Less than 1 month past due	4%	17,286	(698)
1 to 3 months past due	12%	6,262	(752)
Over 6 months past due	100%	7	(7)
		347,500	(1,651)

	At 31 December 2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.06%	169,232	(102)
Less than 1 month past due	4%	28,161	(1,122)
Over 6 months past due	100%	7	(7)
		197,400	(1,231)

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	1,231	1,933
Impairment losses provided/(reversed) during the year	420	(702)
Balance at 31 December	1,651	1,231

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As disclosed in Note 21(e), all of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand, The Group did not identify any difficulties complying with the covenants. Information about the covenants for those bank loans classified as non-current at the end of the reporting period is set out below:

Loans	Carrying amount		Covenant(s)	Timing to comply with the covenant(s)
	2025 RMB'000	2024 RMB'000		
Loan A	44,000	20,000	(i) Total debt to total asset ratio shall be less than 60% (ii) Current ratio shall not be less than 100%	At any time throughout the loan term

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivatives financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2025					Carrying amount RMB'000
	Contractual undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Bank loans	390,132	29,671	-	-	419,803	414,322
Trade and bills payables measured at amortised cost	255,296	-	-	-	255,296	255,296
Accrued expenses and other payables measured at amortised cost	19,310	-	-	-	19,310	19,310
Lease liabilities	2,313	2,587	5,808	37,393	48,101	30,037
	667,051	32,258	5,808	37,393	742,510	718,965

	At 31 December 2024					Carrying amount RMB'000
	Contractual undiscounted cash outflow				Total RMB'000	
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
Bank loans	280,589	75,406	-	-	355,995	349,100
Trade and bills payables measured at amortised cost	327,212	-	-	-	327,212	327,212
Accrued expenses and other payables measured at amortised cost	40,492	-	-	-	40,492	40,492
Lease liabilities	2,043	1,772	5,537	39,422	48,774	29,321
	650,336	77,178	5,537	39,422	772,473	746,125

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing bank and other loans and lease liabilities. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's total borrowings at the end of the reporting period:

	At 31 December 2025		At 31 December 2024	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
– Bank loans	2.35% ~ 3.00%	354,722	2.70% ~ 3.60%	237,100
– Lease liabilities	2.95%/4.9%	30,037	4.90%	29,321
		384,759		266,421
Variable rate borrowings:				
– Bank loans	2.50% ~ 3.00%	59,600	2.90% ~ 3.65%	112,000

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB507,000 (2024: RMB952,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk are primarily United States dollars ("US\$"). The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the end of the reporting period.

	Exposure to foreign currencies (expressed in RMB)	
	At 31 December 2025	At 31 December 2024
	US\$ RMB'000	US\$ RMB'000
Cash at bank and on hand	3,488	15,896
Trade and bills receivables	31,060	40,151
Trade payables	(2,062)	(6,107)
	32,486	49,940

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK\$ and US\$ would be materially unaffected by any changes in movement in value of US\$ against other currencies.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
US\$	5% (5%)	1,387 (1,387)	5% (5%)	2,127 (2,127)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

26 COMMITMENTS

Capital commitments outstanding at 31 December 2025 not provided for in the consolidated financial statements were as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Commitments in respect of property, plant and equipment – Contracted for	269	183

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these consolidated financial statements, the Group entered into the below related party transactions during the year.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 9 and certain of the highest paid employees of the Group as disclosed in Note 10, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	3,733	3,666
Contributions to defined contribution retirement plans	140	133
	3,873	3,799

Total remuneration is included in “staff costs” (see Note 7(b)).

(b) Transactions with related parties

	2025 RMB'000	2024 RMB'000
Sales of scrap materials (Note (i))	9,331	11,189
Operating lease expenses	96	96
Interest income	1,100	1,100
Net decrease in amounts due to related parties	86	279

Note:

- (i) These scrap materials were sold to related parties at cost and accordingly, no gains or losses were recognised on these transactions by the Group.

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of sales of scrap materials, loan to a related party and interest income above constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section Connected Transactions and Continuing Connected Transactions of the Directors' Report.

The related party transactions in respect of operating lease expenses and advances from related parties above constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Non-current assets			
Interests in subsidiaries		172,086	172,086
Current assets			
Cash at bank and on hand		5,016	3,764
Current liabilities			
Amounts due to subsidiaries		14,965	10,989
Net current liabilities		(9,949)	(7,225)
NET ASSETS		162,137	164,861
CAPITAL AND RESERVES	24		
Share capital		534	534
Reserves		161,603	164,327
TOTAL EQUITY		162,137	164,861

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

Liu Ping
Chairperson

Lu Xiaoyu
Director

29 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

As disclosed in note 13, on 27 February 2026, a loan agreement was renewed between Jiangnan Precision as lender, and Jiangnan Tiehejin, a company controlled by the ultimate controlling parties of the Company, as borrower, and Mr. Mei Zefeng, as guarantor. Pursuant to the loan agreement, Jiangnan Precision agreed to grant a loan in the principal sum of RMB20,000,000 bearing interest at 4% per annum to Jiangnan Tiehejin for a term of 3 years.

Pursuant to the loan agreement, an option agreement was renewed between Jiangnan Precision and Jiangnan Tiehejin on 27 February 2026, pursuant to which a property acquisition option is granted to Jiangnan Precision, at nil consideration, to acquire a property to be constructed in Changzhou Economic Development Zone, to increase the office capacity of the Group. It is in Jiangnan Precision's sole discretion whether to exercise such option.

The loan agreement and the transactions contemplated thereunder were approved at an extraordinary general meeting of the Company held on 23 March 2026.

30 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate holding company and ultimate controlling parties of the Company at 31 December 2025 to be Newrich Limited, which is incorporated in the British Virgin Islands, and Mr Mei Zefeng and Ms Liu Ping, respectively. Newrich Limited does not produce financial statements available for public use.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, Financial instruments and IFRS 7, <i>Financial instruments: disclosures</i> – <i>Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

FIVE YEARS FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue:					
– Continuing operations	1,617,713	1,938,246	1,924,205	1,492,155	2,035,409
– Discontinued operation	1,029	6,165	4,195	–	–
Profit/(loss) for the year	40,054	92,703	77,446	(31,253)	98,097

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Non-current assets	333,213	356,112	373,909	376,449	354,300
Current assets	1,352,287	1,341,040	1,404,460	1,269,729	1,558,066
Total assets	1,685,500	1,697,152	1,778,369	1,646,178	1,912,366
Current liabilities	699,766	708,014	900,212	868,781	1,111,005
Non-current liabilities	71,121	114,079	95,873	72,823	40,137
Total liabilities	770,887	822,093	996,085	941,604	1,151,142
NET ASSETS	914,613	875,059	782,284	704,574	761,224
Total equity attributable to equity shareholders	914,613	875,059	782,284	704,574	761,224
TOTAL EQUITY	914,613	875,059	782,284	704,574	761,224