



2025

Annual Report

Stock Code: 1090

**DA MING INTERNATIONAL
HOLDINGS LIMITED**

Incorporated in the Cayman Islands
with limited liability



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Keming (*Chairman*)
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Zhang Feng (*resigned on 26 March 2026*)
Mr. Liang Zongren
Mr. Chen Ning (*resigned on 26 March 2026*)

Non-executive Directors

Mr. Lu Jian
Mr. Lu Gang

Independent Non-executive Directors

Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi

REMUNERATION COMMITTEE

Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi
Ms. Xu Xia (*appointed on 28 March 2025*)
Mr. Zou Xiaoping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 1518, Tong Jiang Road
Wuxi, Jiangsu
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1007, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Deacons
5/F, Alexandra House
18 Chater Road, Central
Hong Kong

As to Cayman Islands Law

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong

Bank of China (Hong Kong) Limited

In China

China Construction Bank, Wuxi Xishan Sub-branch
Agricultural Bank of China, Wuxi Xishan
Sub-branch
China CITIC Bank, Wuxi Sub-branch
Bank of China, Wuxi Xishan Sub-branch
China Everbright Bank, Wuxi New District
Sub-branch

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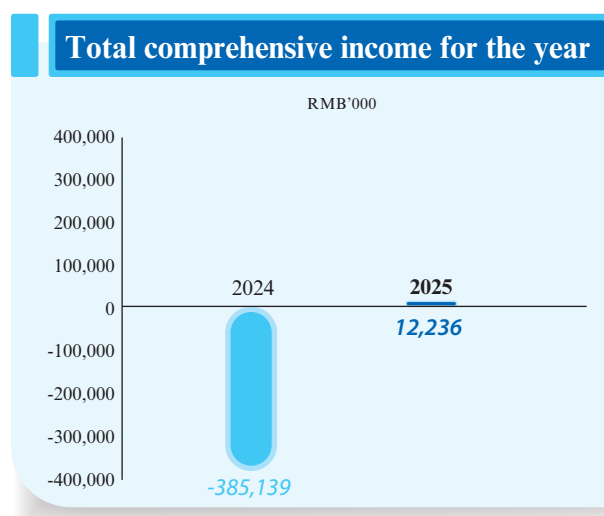
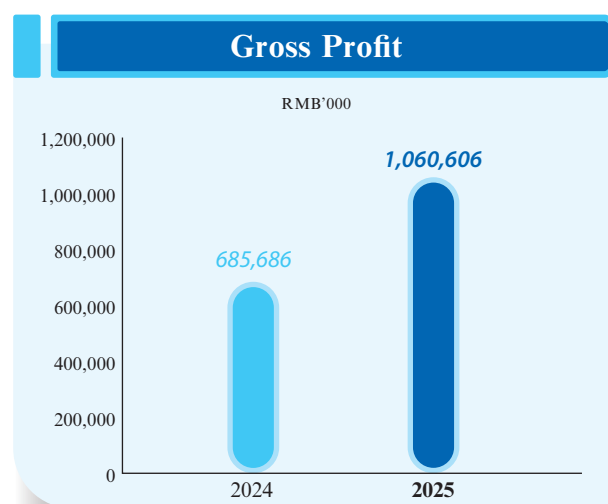
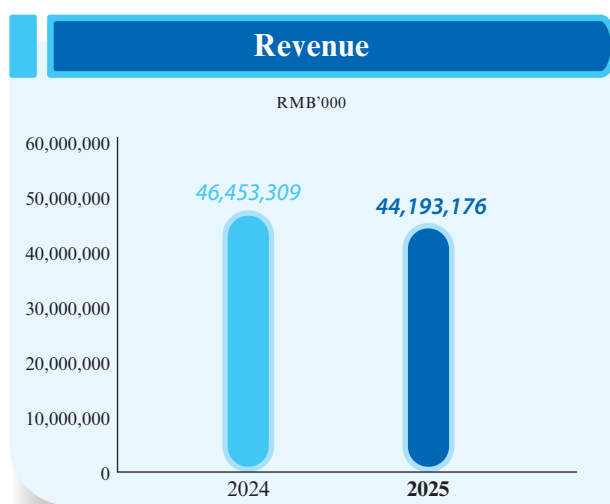
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WEBSITE

<http://www.dmssc.net>

FINANCIAL AND OPERATING HIGHLIGHTS

	Year ended 31 December		% change
	2025 RMB'000	2024 RMB'000	
FINANCIAL HIGHLIGHTS			
Revenue	44,193,176	46,453,309	-4.9%
Gross profit	1,060,606	685,686	+54.7%
Profit/(loss) and total comprehensive income/(loss) for the year	12,236	(385,139)	+103.2%

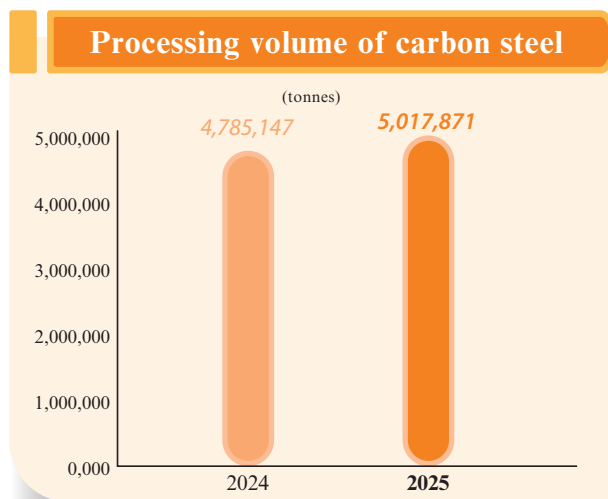
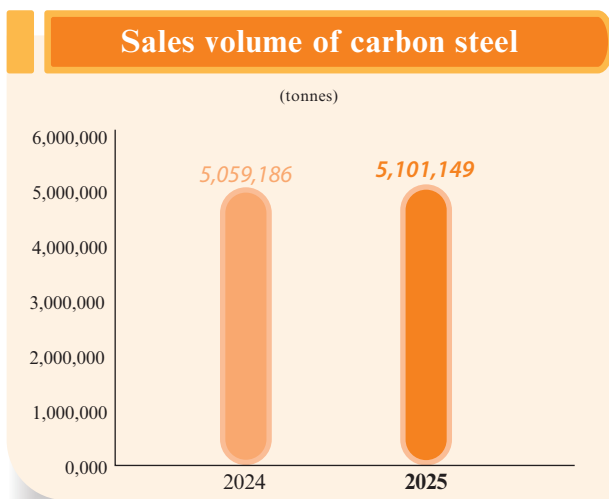
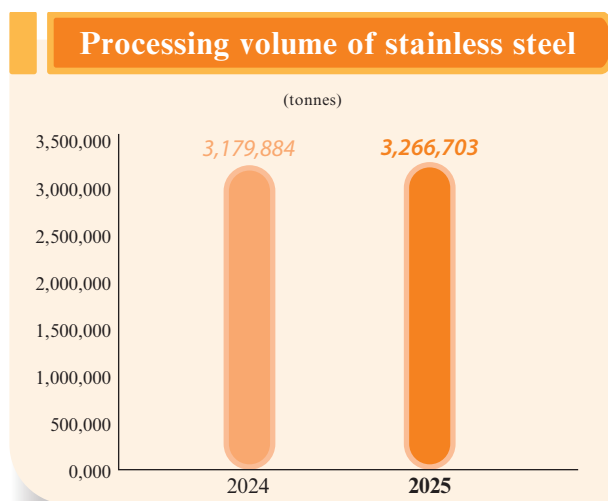


FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS

	Year ended 31 December		% change
	2025	2024	
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	2,103,748	2,056,957	+2.3%
Processing volume (tonnes)	3,266,703	3,179,884	+2.7%
Processing multiple (note)	1.55	1.55	
Carbon steel			
Sales volume (tonnes)	5,101,149	5,059,186	+0.8%
Processing volume (tonnes)	5,017,871	4,785,147	+4.9%
Processing multiple (note)	0.98	0.95	

Note: Processing multiple = Processing volume/Sales volume



FINANCIAL AND OPERATING HIGHLIGHTS

The sales volume and processing volume of our processing centres for the year ended 31 December 2025 and the corresponding period in 2024 are as follows:

Stainless steel	Year ended 31 December		% change
	2025 tonnes	2024 tonnes	
Sales volume			
Wuxi	874,141	819,238	+6.7%
Wuhan	121,941	112,426	+8.5%
Hangzhou	239,836	247,190	-3.0%
Tianjin	255,552	249,432	+2.5%
Taiyuan	163,107	200,417	-18.6%
Jingjiang	179,966	167,762	+7.3%
Shandong	190,807	172,678	+10.5%
Jiaxing	78,398	87,814	-10.7%
Total	2,103,748	2,056,957	+2.3%
Processing volume			
Wuxi	1,390,281	1,360,614	+2.2%
Wuhan	141,580	133,330	+6.2%
Hangzhou	308,916	310,785	-0.6%
Tianjin	253,870	253,690	+0.1%
Taiyuan	586,387	545,793	+7.4%
Jingjiang	288,527	282,900	+2.0%
Shandong	159,112	152,767	+4.2%
Jiaxing	138,030	140,005	-1.4%
Total	3,266,703	3,179,884	+2.7%
Carbon steel			
Sales volume			
Wuxi	878,725	886,839	-0.9%
Wuhan	697,175	650,783	+7.1%
Hangzhou	111,293	121,405	-8.3%
Tianjin	643,226	604,765	+6.4%
Taiyuan	312,749	358,744	-12.8%
Jingjiang	945,274	963,001	-1.8%
Shandong	675,117	655,736	+3.0%
Jiaxing	794,396	817,913	-2.9%
Chongqing	43,194	–	–
Total	5,101,149	5,059,186	+0.8%
Processing volume			
Wuxi	778,078	755,224	+3.0%
Wuhan	774,856	662,069	+17.0%
Hangzhou	61,164	70,956	-13.8%
Tianjin	541,008	506,619	+6.8%
Taiyuan	430,978	365,489	+17.9%
Jingjiang	1,123,633	1,080,817	+4.0%
Shandong	585,117	576,304	+1.5%
Jiaxing	723,037	767,669	-5.8%
Total	5,017,871	4,785,147	+4.9%



DEAR SHAREHOLDERS:

On behalf of the board of directors of Da Ming International Holdings Limited (the “Company”, together with its subsidiaries as the Group”), I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2025.

BUSINESS REVIEW

We are a leading provider of metal materials and components processing and high-end equipment manufacturing services. Through our eleven processing centres and one manufacturing base in China, we provide professional and customised metal materials processing and components and equipment manufacturing services to over 70,000 customers across various industries. The products of our high-end equipment manufacturing segment mainly include large-scale structural parts and containers, as well as precision sheet metal parts.

As a professional metal solutions provider, the Company facilitates the connection between upstream metal manufacturers and downstream end-user enterprises. Metal materials with different specifications and models are provided by the upstream manufacturers, from which the Company purchases metal materials in bulk. The Company also carries out high-precision and customised material processing (in terms of size, shape, surface processing, etc.) and the manufacturing and sale of various components and high-end equipment in line with customers’ needs. Upholding the “customer-centric” philosophy, the Company is committed to offering our downstream customers cost-effective and high-quality materials and manufacturing services together with fast delivery.

Thanks to our extensive experience in equipment and technology, the Company processes the capacity to provide a complete range of processing and manufacturing services for the manufacturing industry. Our services cover the entire manufacturing process, including trimming, polishing, cutting, forming, pre-grooving, welding, heat treating, machinery, painting and assembling. By leveraging a variety of automated processing equipment and one-stop professional processing and manufacturing services, the Company saves time, manpower, and costs for our downstream customers, and reduces their need for capital investment. This enables them to significantly reduce their investment in equipment that requires high utilisation rates to achieve cost-effectiveness, thus saving on overall manufacturing costs. This industry dynamic and business model have created a niche market for metal processing and manufacturing service providers.

The market for metal materials is tremendous which provides the Company with a solid market base for its metal materials and components processing services and high-end equipment manufacturing business. In the meantime, the decentralised end-market demand has largely mitigated the impact of the cyclicity of different end-markets on the Company's performance and hence contributed to the stable growth of the Company's results. Moreover, capitalising on our extensive customer base and increasing customer reliance, the Company has established long-term and secure relationships with our upstream suppliers. Together with its diversified metal processing and product manufacturing capabilities, flexible processing scheduling, solid inventory management, reliable and just-in-time delivery, adjustable requirements for minimum order scale and outperforming quality control, the Company has managed to maintain our results and performance as an industry leader.

The Company strives to improve our profitability through continuous improvements in customer service, operational efficiency, technological innovation, inventory management and the adoption of higher standards of processing and manufacturing services. In recent years, since our existing and potential customers demand higher standards of metal processing and manufacturing services, the Company has boosted its investment in advanced processing equipment and technology to further enhance its processing and manufacturing service capacity, which also helps to raise the price of its products. The Company has also improved its operational efficiency through measures such as the intelligent transformation of certain equipment and optimisation of logistics services. In addition, the Company has invested in key regions to expand its production capacity, further heightening its regional competitiveness and contributing to the implementation of its overall growth strategy.

CHAIRMAN'S STATEMENT

Business highlights

1. *Hong Kong S960 Ultra High Strength Steel Footbridge's successful span lifting*

The world's first S960 Ultra High Strength Steel Footbridge Quadruple Span Lifting Ceremony was successfully conducted in Hong Kong. The bridge project is led by the Hong Kong Civil Engineering and Development Department and is situated in the initial phase of the Fanling North New Development Area – specifically, the eastern segment of the Fanling Bypass. This marks the first instance globally of utilizing S960 high-strength steel in civil bridge construction. The successful execution of this project has served as a model for future bridge construction endeavors within the construction sector.



The technical experimental outcomes provided by steel structure specialists from the Hong Kong Polytechnic University and Tsinghua University have been instrumental, with AECOM, a leading global firm, overseeing design and construction supervision, while SGS welding and painting engineers contribute to the overall effort, coordinated by Daming Heavy Industry for contract manufacturing.

2. *Anemoui Rotor Sail New Project has been completed at Daming Manufacturing Base*

Anemoui Marine Technologies' 3.5x24m Rotor Sail New Project commenced construction at the Daming Manufacturing Base.



Daming provides Anemoui with steel structure manufacturing and dock services. Leveraging globally leading steel processing equipment, modern physical and chemical testing centers, cutting and forming platforms, and robust production capabilities, Daming ensures consistent product delivery quality while offering solid expansion capacity to meet the continuously growing global demand for wind-assisted propulsion systems. In the earlier 2011 and 2012 rotor sail projects, Daming Heavy Industry completed deliveries with high quality and to exacting standards.



Anemoi Marine Technologies, CRRC Qishuyan and Daming Heavy Industry celebrate the delivery of four Rotor Sails, now being transported by barge to COSCO Zhoushan Shipyard for installation.

3. *Water-Land Intermodal breakthrough! Daming Yangtze River Terminal pioneered new logistics pathway for engineering projects*

Four large flatbed trucks carrying four sets of heavy chemical modules rolled into Daming Yangtze River Terminal, marking a landmark breakthrough in engineering project logistics along the Yangtze River basin. This cross-regional cargo transfer, originating in Jingjiang and concluding in Zhejiang, represents Daming Yangtze River Terminal's successful implementation of a chain-based service system through its "water-land intermodal transport" model, exploring new industry directions. It signifies the terminal's formal transition from a "traditional loading/unloading service provider" to a "comprehensive logistics solutions provider," while also pioneering a new track for the development of project logistics along the Yangtze River basin.

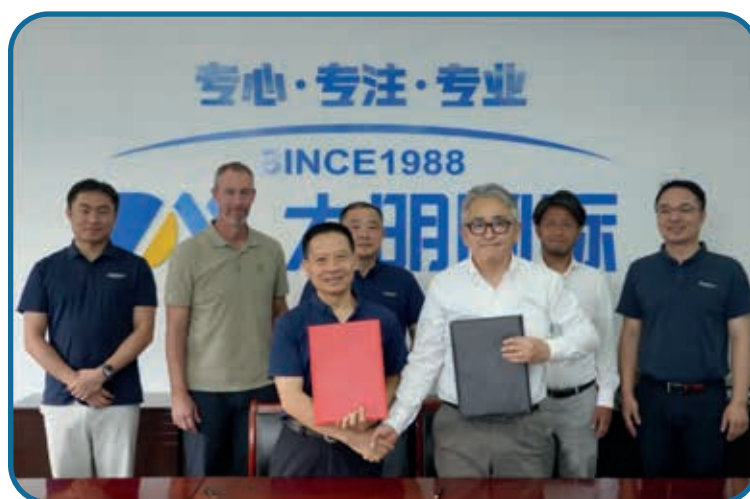


CHAIRMAN'S STATEMENT

Strategic Cooperation

1. *Daming International and Sumitomo Corporation Europe have officially signed a strategic cooperation agreement*

On 16 September, Mr. Shinjiro Takemasu, Deputy Director of Metals at Sumitomo Corporation Europe, and Mr. Yuhei Baba, Director of Steel Department 2 at Sumitomo Corporation Shanghai, visited Daming International. During the visit, both parties engaged in in-depth discussions on enhancing supply chain cooperation, tapping into the European market, and integrating complementary strengths. These discussions culminated in the signing of a strategic agreement to establish a comprehensive partnership between Daming's manufacturing division and Sumitomo Corporation Europe to jointly advance deep integration within the China-Europe industrial chain.



2. *Serving the shipbuilding industry: production, application, and research partner with Daming in strategic agreement*

On 20 November, The 2025 Daming International Shipbuilding Industry Promotion Conference and High-Tech Ship and Offshore Equipment Cluster Material Supply-Demand Matching Event convened in Jingjiang. During the conference, TISCO and Daming signed an agreement to launch a joint laboratory for chemical tanker materials and processing technology. Yangzhou Wanlong Shipbuilding signed an intent agreement with Daming Heavy Industry for section fabrication of the 6800DWT series oil and chemical tankers. and the Harbin Welding Institute signed a strategic cooperation agreement with Daming Heavy Industry.



CHAIRMAN'S STATEMENT

OPERATING RESULTS

The Group recorded a net profit of approximately RMB12.2 million for the year ended 31 December 2025 representing an increase of approximately 103.2% as compared with the net loss of approximately RMB385.1 million for the year ended 31 December 2024.

The annual sales volume of our stainless steel processing business increased from approximately 2,057,000 tonnes for the year ended 31 December 2024 to approximately 2,104,000 tonnes for the year ended 31 December 2025 representing an increase of approximately 2.3% while the processing volume increased from approximately 3,180,000 tonnes for the year ended 31 December 2024 to approximately 3,267,000 tonnes for the year ended 31 December 2025 representing an increase of approximately 2.7%.

The annual sales volume of our carbon steel processing business increased from approximately 5,059,000 tonnes for the year ended 31 December 2024 to approximately 5,101,000 tonnes for the year ended 31 December 2025 representing an increase of approximately 0.8% while the annual processing volume increased from approximately 4,785,000 tonnes for the year ended 31 December 2024 to approximately 5,018,000 tonnes for the year ended 31 December 2025 representing an increase of approximately 4.9%.

FUTURE DEVELOPMENT

In the coming year, we will continue to enrich and improve our service network, enhance our processing service capabilities through investment in advanced automation equipment, and further improve production efficiency through digitisation and intelligent transformation of existing production equipment. We will also continue to strengthen our strategic cooperation with upstream steel manufacturers and downstream industry-leading customers, and collaborate on resource supply, material application technology, key project development and services in related industries, information technology, and supply chain services to jointly explore markets and achieve mutual benefits. The Company will also initiate the deployment of its overseas service network to further support the expansion of our overseas business, which is expected to continue to grow in revenue. It is also expected that the Company's stainless steel processing services will continue to generate stable income, and our carbon steel processing business will also continue to demonstrate excellent development potential. With the expansion of our in-depth processing business for stainless steel and carbon steel and the diversification of major engineering projects, the Company's component and high-end manufacturing businesses will also continue to grow.

APPRECIATION

On behalf of the Board, I would like to thank the management and staff for their dedication, effort and contribution towards the Company. I would also like to thank the shareholders for their support to the Company.

FINANCIAL REVIEW AND ANALYSIS

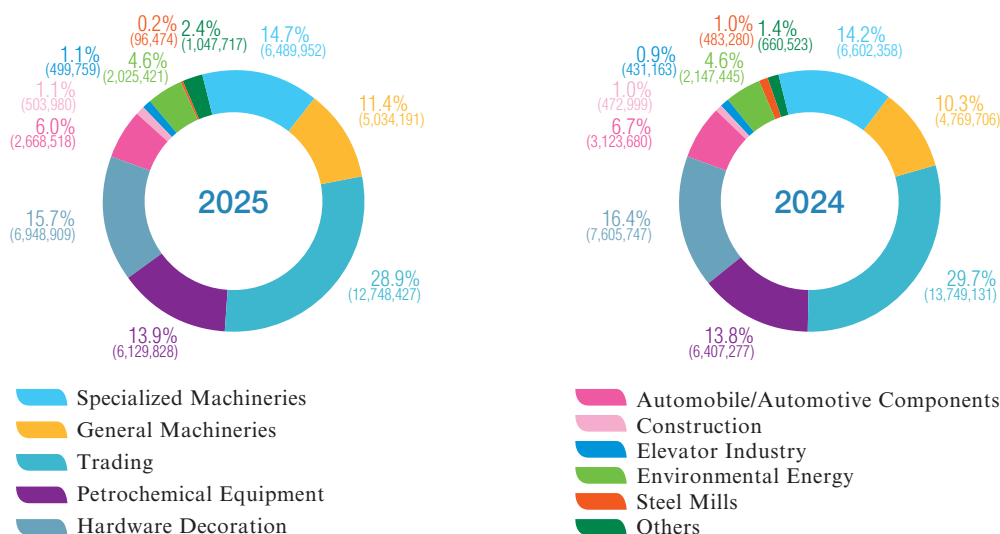
During the year under review, we recorded a revenue of approximately RMB44,193 million, gross profit of approximately RMB1,061 million and the loss attributable to shareholders of the Company of approximately RMB36 million. Total assets of the Group as at 31 December 2025 amounted to approximately RMB12,429 million while equity attributable to shareholders of the Company amounted to approximately RMB2,493 million.

Analysis of revenue by key industry segments

During the years ended 31 December 2025 and 2024, our revenue by key industry segments are shown below:

Industry	Revenue For the year ended 31 December			
	2025 RMB'000	%	2024 RMB'000	%
Specialized Machineries	6,489,952	14.7	6,602,358	14.2
General Machineries	5,034,191	11.4	4,769,706	10.3
Trading	12,748,427	28.9	13,749,131	29.7
Petrochemical Equipment	6,129,828	13.9	6,407,277	13.8
Hardware Decoration	6,948,909	15.7	7,605,747	16.4
Automobile/Automotive Components	2,668,518	6.0	3,123,680	6.7
Construction	503,980	1.1	472,999	1.0
Elevator Industry	499,759	1.1	431,163	0.9
Environmental Energy	2,025,421	4.6	2,147,445	4.6
Steel Mills	96,474	0.2	483,280	1.0
Others	1,047,717	2.4	660,523	1.4
Total	44,193,176	100.0	46,453,309	100.0

RMB'000

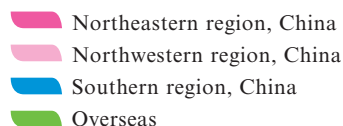
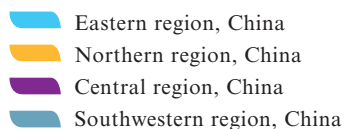
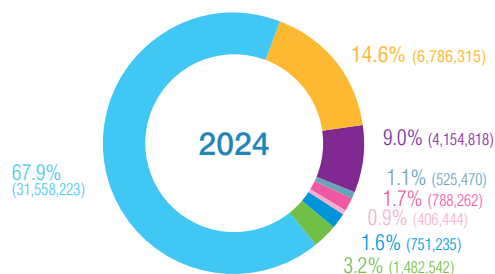
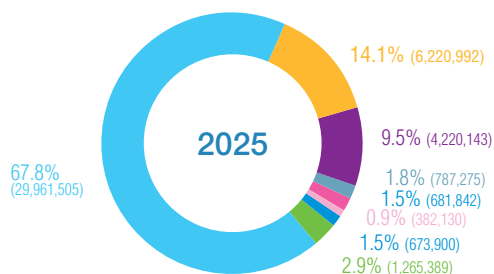


MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of revenue by geographic regions

Region	Revenue			
	For the year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Eastern region, China	29,961,505	67.8	31,558,223	67.9
Northern region, China	6,220,992	14.1	6,786,315	14.6
Central region, China	4,220,143	9.5	4,154,818	9.0
Southwestern region, China	787,275	1.8	525,470	1.1
Northeastern region, China	681,842	1.5	788,262	1.7
Northwestern region, China	382,130	0.9	406,444	0.9
Southern region, China	673,900	1.5	751,235	1.6
Overseas	1,265,389	2.9	1,482,542	3.2
	44,193,176	100.0	46,453,309	100.0

RMB'000



Revenue

Our revenue for the year ended 31 December 2025 amounted to approximately RMB44,193 million comprising approximately RMB41,523 million from processing of metal materials, approximately RMB1,184 million from high-end equipment manufacturing and approximately RMB1,486 million from components manufacturing. As compared with the revenue for the year ended 31 December 2024 of approximately RMB46,453 million, it represented a decrease of approximately 4.9%.

Gross profit

Gross profit increased from approximately RMB685.7 million in 2024 to approximately RMB1,060.6 million in 2025 mainly due to the improvement in operating efficiency leading to a decrease in labour cost, transportation and other costs during the year.

Other income

Other income decreased from approximately RMB57.3 million for the year ended 31 December 2024 to approximately RMB55.6 million for the year ended 31 December 2025. Such decrease was mainly due to the decrease in government subsidy income.

Other (loss)/gain – net

The Group recorded a net other loss of approximately RMB5.3 million for the year ended 31 December 2025 as compared to a net other gain of approximately RMB4.4 million for the year ended 31 December 2024. The net other loss was mainly due to the increase in losses on disposal of property, plant and equipment and increase in foreign exchange loss.

Distribution costs

Distribution costs decreased from approximately RMB506.4 million for the year ended 31 December 2024 to approximately RMB493.6 million for the year ended 31 December 2025. Such decrease was mainly due to the decrease in transportation costs.

Administrative expenses

Administrative expenses decreased from approximately RMB421.0 million for the year ended 31 December 2024 to approximately RMB357.9 million for the year ended 31 December 2025. Such decrease was mainly due to the decrease in employee benefit expenses.

Finance costs – net

Net finance costs decreased from approximately RMB241.8 million for the year ended 31 December 2024 to approximately RMB212.2 million for the year ended 31 December 2025. Such decrease was mainly due to the decrease in interest expenses on borrowings.

Income tax (expenses)/credit

The Group recorded an income tax expenses of approximately RMB31.3 million for the year ended 31 December 2025 as compared with an income tax credit of approximately RMB53.4 million for the year ended 31 December 2024 mainly due to the profit recorded during the year as compared with the loss recorded last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(loss) for the year

The Group recorded a profit of approximately RMB12.2 million for the year ended 31 December 2025 as compared with a loss of approximately RMB385.1 million for the year ended 31 December 2024 mainly due to the increase in gross profit during the year.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB224.7 million (2024: RMB349.0 million).

Foreign Exchange Risk Management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar, Euro, Hong Kong Dollar and Japanese Yen, which are exposed to foreign currency translation risk.

Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the borrowings of the Group amounted to approximately RMB6,806.7 million of which approximately RMB5,395.6 million were repayable within one year, notes payables amounted to approximately RMB484.2 million while the bank balances were approximately RMB1,415.9 million of which approximately RMB1,306.7 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2025, the Group recorded a net current liabilities of approximately RMB1,334.1 million. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The gearing ratio as at 31 December 2025 and 2024 calculated on this basis were 70.22% and 71.42% respectively.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Fluctuations in raw material may be affected by cyclical fluctuations in the PRC and global markets may adversely affect our profit margins and of operation results

We procure metal materials such as stainless steel and carbon steel in bulk. The prices of metals we purchase and the prices we charge our customers for products fluctuate based on numerous factors beyond our control, including domestic and international economic conditions, market competition, raw material costs, and customer demand levels, as well as government policies. When metal prices decline, we are generally unable to maintain consistent gross profit margins by replacing higher-cost inventory with lower-cost materials, which would reduce our profitability during such periods. Furthermore, a decline in metal prices may require us to make provisions for inventory write-downs at the end of each reporting period.

Maintenance and expansion of our processing operations require substantial capital expenditure, and we may not be able to obtain sufficient financial resources in a timely manner or on favourable terms

Our industry is capital-intensive. To maintain and expand our processing operations, we are required to incur capital expenditure from time to time for the construction of new facilities, procurement of new processing equipment, and technical upgrades of existing machinery. Our expansion plans also require us to make capital expenditures. We may need to raise additional funds through bank borrowings or the issuance of debt or equity securities to finance such expenditures. Our ability to obtain additional financing is subject to various factors, including our financial position, operation results and cash flows, as well as domestic and international economic, political, and other conditions.

Reliance on major suppliers

Our ability to meet customer need and provide value-added services depends on maintaining an uninterrupted supply of high-quality processed metal products. Any failure by our major suppliers to meet our requirements, or the loss of any major supplier, could lead to supply disruptions and adversely affect our business operations.

Our industry is subject to cyclical fluctuations

The metal processing industry is cyclical and sensitive to market demand and the supply of metal materials. An economic slowdown may lead to reduced market demand for our products and exert downward pressure on our pricing. Any downturn in macroeconomic conditions or within our customers' specific industries could negatively impact our profitability and cash flows.

We face intense competition within the industry

We operate in a highly competitive market. Competition is primarily based on price, inventory levels, timely delivery capabilities, customer service, quality, and processing capacity. If we are unable to compete effectively, our operation and financial condition may be adversely affected.

Potential difficulties in penetrating new markets and implementing expansion plans

Our strategy involves expanding the coverage of our processing service network within the PRC and globally. We are also exploring new markets in terms of product and service categories. Newly established or acquired processing centres may fail to achieve budgeted sales volumes and profit margins. Upon entering new markets or introducing new services, we may fail to accurately assess and adapt to the needs of existing and potential customers. Moreover, we may incur higher leasing, administrative, logistical, and promotional costs for new centres and services, which could adversely affect our business, financial condition, and results of operations.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance in enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders.

The Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2025. The Company adopted the CG Code as its own code of corporate governance.

MODEL CODE

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

CORPORATE CULTURE

As a leading metal material processing service enterprise in China, the Group is committed to building a corporate culture that upholds inclusiveness, collaboration, efficiency, and commitment. Inclusiveness means being "employee-centric", respecting and caring for them, and achieving co-construction, co-progress, and sharing between the corporate and employees. We encourage innovation and focus on the growth of our employees; build a safe and healthy working environment, insist on safety first, and promote happy work and healthy life. Collaboration means leveraging the advantages of our eleven processing service centres, one manufacturing base, and various functional platforms in terms of equipment capacity, technology, procurement and supply, human resources, and customer resources to achieve internal resource sharing, complementary advantages, and coordinated cooperation, enhancing the customer service experience. Efficiency means dedicating ourselves to improving per capita output and value contribution, increasing inventory turnover and asset utilization rate; achieving 24/7 service, shortening order delivery time, and serving customers to the last mile. Commitment means encouraging employees to take responsibility, facing problems and difficulties without evasion, complying with laws and contractual regulations, guarding moral standards, and ensuring fairness and integrity. The board sets the tone and shapes the corporate culture of the Company, which is based on the values of acting legally, ethically and responsibly at all levels of the Group. The board plays a leading role in determining the Group's purpose, values, and strategic policies, as well as cultivating a forward-looking, change-embracing, and competitiveness-focused culture. The culture that the Group expects is developed and reflected consistently in its business operations, workplace policies and practices, and relationships with our stakeholders. The board's oversight of corporate culture covers a range of long-term measures and methods, including employee participation, retention and training, rigorous financial reporting, effective and accessible reporting frameworks, legal and regulatory compliance, and employee safety, well-being, and support. Taking into account the corporate culture in all contexts, the board considers it to be consistent with the Group's purpose, values and strategies.

CORPORATE STRATEGY

The Company is committed to becoming a global leading metal material processing service enterprise, with the goal of enhancing the long-term total return for all stakeholders. To achieve this goal, the Group focuses on achieving recurring and sustainable profitability, cash flow, and dividend growth without compromising the Group's financial strength and stability. The Group focuses on disciplined management of revenue growth, profits and costs, capital and investment return ratio targets, and internal growth in industries or regions where the Group has management experience and resources. Technological and digital transformation is a key initiative for the Group to obtain new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining strong liquidity and flexibility, maintaining a long-term and balanced debt service profile, and actively managing cash flow and operating funds. The Group explores business opportunities globally to enhance shareholder returns, and the Chairman's Statement and Business Review in this Annual Report include discussions and analysis of the Group's performance. The Group is increasingly focusing on sustainable development, including adopting a circular economy and sustainable procurement, promoting good health and well-being, and promoting inclusivity and diversity. Further information on the Group's sustainable development measures and its major relationships with stakeholders is also set out in the Group's independent environmental, social, and governance report.

BOARD OF DIRECTORS

Board structure, skills set, and expertise

As at the date of this report, the Board of Directors (the "Board") comprises ten Directors, including four executive Directors, two non-executive Directors, and four independent non-executive Directors. Throughout 2025, the number of independent non-executive Directors represented at least one-third of the Board, complying with the relevant Listing Rules. The table below shows the Board structure, skills set, and expertise of the Directors:

Name of Directors	Structure and Size					Skills and Expertise				
	Age	Years on Board	Gender	Designation	Business Management	Strategic Planning & Risk Management	Financial Reporting/Accounting	Legal/Regulatory	Related Industry knowledge/Experience	Mainland China exposure
Mr. Zhou Keming	56	About 19 years 1 month	M	C, ED	•	•			•	•
Ms. Xu Xia	51	About 10 years	F	ED	•	•			•	•
Mr. Zou Xiaoping	61	About 19 years	M	ED	•	•		•	•	•
Mr. Zhang Feng ^(a)	49	About 11 years 5 months	M	ED	•	•			•	•
Mr. Liang Zongren	57	About 1 year 3 months	M	ED	•	•			•	•
Mr. Chen Ning ^(a)	51	About 1 year 3 months	M	ED	•	•			•	•
Mr. Lu Jian	51	About 5 years 11 months	M	NED	•	•	•		•	•
Mr. Lu Gang	48	About 1 year 3 months	M	NED	•	•			•	•
Mr. Cheuk Wa Pang	61	About 19 years	M	INED	•	•	•		•	•
Mr. Hu Xuefa	63	About 7 years 9 months	M	INED	•	•			•	•
Prof. Chen Xin	50	About 4 years 3 months	M	INED	•	•	•			•
Mr. Wang Liuqi	54	About 1 year 3 months	M	INED	•	•	•		•	•

Notes:

F: Female C: Chairman of the Board
M: Male ED: Executive Director
 NED: Non-executive Director
 INED: Independent Non-executive Director

^(a) Mr. Zhang Feng and Mr. Chen Ning resigned as Directors of the Company on 26 March 2026.

The skills matrix above sets out the skills and expertise of the Board that are most relevant to the Group's strategy, governance and business and to achieve the Group's strategic objectives, particularly in the following areas:

- Overseeing the Company's China and overseas markets and increasing business opportunities;
- Promoting sustainable development and maintaining high standards of governance and corporate social responsibility practices to fulfil the Listing Rules requirements;
- Overseeing the Company's implementation of a robust risk management framework and internal control measures to reduce the Company's operational risks; and
- Encouraging a culture of innovation within the Group which will help the Company achieve long-term sustainable development and strive to become a global leading metal processing service company.

Mr. Lu Jian, a non-executive Director, was appointed for a term of three years commencing from 27 March 2026 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

Mr. Lu Gang, a non-executive Director, was appointed for a term of three years commencing from 20 December 2024 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

Mr. Cheuk Wa Pang, an independent non-executive Director, was appointed for a term of three years commencing from 20 March 2025 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

Mr. Hu Xuefa, an independent non-executive Director, was appointed for a term of three years commencing from 30 May 2023 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

Prof. Chen Xin, an independent non-executive Director, was appointed for a term of three years commencing from 15 December 2024 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

Mr. Wang Liuqi, an independent non-executive Director, was appointed for a term of three years commencing from 12 June 2024 and is subject to retirement by rotation in accordance with the Company's Amended and Restated Articles of Association.

The biographical details of the Directors are set out on pages 43 to 48 of this Annual Report. Save as Mr. Zhou Keming is the spouse of Ms. Xu Xia, Mr. Zhang Feng is a cousin of Mr. Zhou Keming and the relative of Ms. Xu Xia, none of the members of the Board is related to one another.

BOARD MEETING

The Board meets regularly and board meetings are held at least four times a year at approximately quarterly intervals. All the Directors are given opportunities to include matters in the agenda for regular board meetings. Notices of regular board meetings are given to all Directors at least 14 days before the meeting. For all other board meetings, reasonable notice will be given. The company secretary of the Company is responsible to take and keep minutes of all board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and is opened for Directors' inspection.

Four board meetings had been held in the financial year ended 31 December 2025. The individual attendance record of each Director at the meetings of the Board is set out below:

	No. of meeting(s) attended/ No. of meetings held
Executive Directors	
Mr. Zhou Keming (<i>Chairman</i>)	4/4
Ms. Xu Xia	4/4
Mr. Zou Xiaoping	4/4
Mr. Zhang Feng ^(a)	2/4
Mr. Liang Zongren	4/4
Mr. Chen Ning ^(a)	4/4
Non-executive Directors	
Mr. Lu Jian	4/4
Mr. Lu Gang	4/4
Independent non-executive Directors	
Mr. Cheuk Wa Pang	4/4
Mr. Hu Xuefa	4/4
Prof. Chen Xin	3/4
Mr. Wang Liuqi	2/4

Note: ^(a) Mr. Zhang Feng and Mr. Chen Ning resigned as Directors of the Company on 26 March 2026.

CORPORATE GOVERNANCE REPORT

During the year, a meeting of the chairman of the Board and the independent non-executive Directors without the presence of other Directors and the management was held to discuss and review the performance of the executive Directors and the management.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

To ensure all Directors' contributions to the Board remain informed and relevant, all Directors had participated in continuous professional development ("CPD") to develop and refresh their knowledge and skills.

During the year, the Company has provided some reading materials to Directors on the relevant rules and regulatory updates and organized an approximately one-hour training seminar on the latest compliance matters for listed companies, conducted by an external professional organization for the Directors.

All Directors had provided their training records for the year 2025 to the Company. Furthermore, each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of his responsibilities under the relevant laws, rules, codes and regulations.

During 2025, CPD training was provided to Directors on the following areas and topics:

Areas	Topics	Mode of Training
Directors' Duties	<ul style="list-style-type: none">New provisions of the CG Code and related Listing RulesRecent disciplinary sanctions cases at the Stock Exchange	Seminar, reading materials
Legal and Regulatory	<ul style="list-style-type: none">New provisions of the CG Code and related Listing RulesRecent disciplinary sanctions cases at the Stock ExchangeThe Stock Exchange is in further consultations on ongoing public float Requirements	Seminar, reading materials
Risk Management and Internal Controls	<ul style="list-style-type: none">New provisions of the CG Code and related Listing RulesRecent disciplinary sanctions cases at the Stock Exchange	Seminar, reading materials

Based on the details provided, the CPD training undertaken by the Directors during the year is summarized as follows:

Name of Directors	Directors' Duties	Legal and Regulatory	Risk Management and Internal Controls	Approximate number of hour(s) of CPD training completed
Executive Directors				
Mr. Zhou Keming (<i>Chairman</i>)	•	•	•	1hr
Ms. Xu Xia	•	•	•	1hr
Mr. Zou Xiaoping	•	•	•	1hr
Mr. Zhang Feng ^(a)	^	^	^	1hr
Mr. Liang Zongren	•	•	•	1hr
Mr. Chen Ning ^(a)	•	•	•	1hr
Non-Executive Directors				
Mr. Lu Jian	•	•	•	1hr
Mr. Lu Gang	•	•	•	1hr
Independent Non-Executive Directors				
Mr. Cheuk Wa Pang	•	•	•	1hr
Mr. Hu Xuefa	•	•	•	1hr
Prof. Chen Xin	•	•	•	1hr
Mr. Wang Liuqi	•	•	•	1hr

Notes: • Mode of training: Seminar

^ Mode of training: Reading materials

^(a) Mr. Zhang Feng and Mr. Chen Ning resigned as Directors of the Company on 26 March 2026.

MONTHLY MANAGEMENT REPORTS

Management provided all members of the Board with monthly management reports including monthly financial and operating updates, proposed projects and latest development of the Group. Directors are able to review and assess the performance of the Group and be informed of the Group's latest development through the monthly management reports.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Under Article 164(1) of the Company's Amended and Restated Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has also arranged appropriate Directors' and officers' liability insurance throughout the year, which indemnifies against costs, charges, losses, expenses and liabilities that may be incurred by the Directors in the execution and discharge of their duties.

BOARD OPERATIONS

The Board is accountable to the shareholders and has responsibility for strategic leadership, directing and overseeing all major matters of the Group. Day-to-day management, administration and operation of the Group are delegated to senior management or the officer in charge of each division and they are required to report to the Board. Some key decisions, however, were taken by the Board, including but not limited to:

- The Group’s strategy and management
- Corporate structure and capital
- Financial reporting and controls
- Internal controls
- Agreements/business transactions/financial commitment
- Shareholders communication
- Board membership and senior management appointments
- Remuneration
- Corporate governance matters
- Board policies

Directors and senior management hold regular meetings to ensure the strategies and policies set out by the Directors are implemented effectively. The Board has also delegated some of its functions to the board Committees (the “Board Committees”), details of which are set out in sub-sections headed “Remuneration Committee”, “Nomination Committee” and “Audit Committee”.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions of the Company. A summary of the work performed by the Board relating to corporate governance functions is listed below:

- reviewed the Company’s corporate governance policy and practices on corporate governance;
- reviewed, monitored and arranged training and CPD of Directors and senior management;
- reviewed and monitored the Company’s policies and practices on compliance with legal and regulatory requirements;
- reviewed the code of conduct applicable to the Directors; and
- reviewed the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD EVALUATION

The Board recognizes that board performance evaluation is a structured process that assesses the effectiveness and efficiency of a Board. It aims to ensure the Board is fulfilling its duties, making sound decisions, and contributing to the Company’s success. The evaluation aimed to gather opinions on the Board’s effectiveness in various areas during the 2025. It was conducted internally in early 2026, led by the Chairman with the support of the Company Secretarial Department. A review of the performance of the Board and each of the Board Committees was conducted through an anonymous questionnaire to each Director, which sought views and feedback on the overall performance of the Board and its Committees. The scope of the evaluation covered various aspects, including Board composition and expertise, information dissemination and meeting processes, culture and dynamics, the functioning of the Board and its committees, ongoing development and training. The Nomination Committee supports and draws reference from this annual evaluation. The evaluation results indicated that the Board and its Committees continue to operate effectively, and the Committees fulfilled their duties as set out in the terms of reference.

BOARD INDEPENDENCE

The Company has put in place effective mechanisms to ensure that independent views and opinions are available to the Board.

At least one-third of the Board of the Company shall consist of independent non-executive Directors, and the Audit Committee shall be composed entirely of independent non-executive Directors. The Audit Committee, the Nomination Committee and the Remuneration Committee shall be chaired by independent non-executive Directors.

The fee of independent non-executive Directors is paid in cash. None of the independent non-executive Directors is provided with equity-based remuneration with performance-related elements (such as share options or gifts of shares) to maintain their independence. The remuneration of independent non-executive Directors is subject to regular review to maintain market competitiveness. In addition, all independent non-executive Directors are allowed to participate in Board meetings and may provide input to the agenda of the meetings. The independent non-executive Directors also meet annually with the chairman of the Board to express their views to the chairman.

During the year, the Board reviewed the above mechanisms and is satisfied with their implementation and effectiveness.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors bring independent views on the Group's business strategy, results and management so that interests of shareholders, employees and stakeholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Board met the requirements of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional accounting qualifications, or accounting, or related financial management expertise.

As of 31 December 2025, the Board included four independent non-executive Directors representing one-third of the Board.

Mr. Cheuk Wa Pang has been serving as independent non-executive Director for more than nine years. The Board considers that he has consistently demonstrated the required capability of exercising independent judgment and objectivity in fulfilling his duties. No evidence that tenure has an adverse impact on independence of the independent non-executive Director, and the Directors are not aware of any circumstances that might influence Mr. Cheuk in exercising his independent judgement. Based on the aforesaid, the Directors conclude that despite his length of service, Mr. Cheuk will continue to maintain an independent view of the Company's affairs and bring his relevant experience and knowledge to the Board.

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

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2025, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up formal and transparent procedures for determination of such remuneration policies. The Remuneration Committee comprises the four independent non-executive Directors, namely, Mr. Cheuk Wa Pang, Mr. Hu Xuefa, Prof. Chen Xin and Mr. Wang Liuqi, and an executive Director, Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Remuneration Committee.

The Remuneration Committee refers to the below policies when determining the remuneration of Directors:

1. No director or any of his/her associates is involved in deciding his/her own remuneration;
2. Remuneration levels should be sufficient to attract and retain directors to run the Company successfully but without paying more than necessary; and
3. Remuneration should reflect performance, complexity and responsibility.

The Remuneration Committee held two meetings during the financial year ended 31 December 2025.

The following is an attendance record of the meetings held by the Remuneration Committee for the financial year:

Name of Remuneration Committee Members	No. of meeting(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang (<i>Chairman</i>)	2/2
Mr. Hu Xuefa	2/2
Prof. Chen Xin	1/2
Mr. Wang Liuqi	1/2
Mr. Zou Xiaoping	2/2

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

- (1) Reviewed the remuneration policy of the Company and determined the remuneration packages for the Board and senior management;
- (2) Reviewed the Company's share award scheme;
- (3) Reviewed the level of remuneration for independent non-executive Directors. Ensured the remunerations are linked to their level of responsibilities, undertaking and contribution in terms of time commitment to the effective functioning of the Board;
- (4) Reviewed the performance of the executive Directors, chief executive officer and key senior management officers and recommended to the Board specific adjustments in remuneration;
- (5) Considered the remuneration of the proposed new directors; and
- (6) Review and/or approve matters relating to share schemes under chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The 2025 annual salary review had been noted and reviewed by the members of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The primary duty of the Nomination Committee is to make recommendations to the Board on the appointment of Directors and senior management. The Nomination Committee comprises the four independent non-executive Directors, namely, Mr. Cheuk Wa Pang, Mr. Hu Xuefa, Prof. Chen Xin and Mr. Wang Liuqi, and two executive Directors, Ms. Xu Xia and Mr. Zou Xiaoping. Mr. Cheuk Wa Pang is the chairman of the Nomination Committee.

The Company adopts a formal procedure in the selection of new Directors and nomination of retiring Directors for re-election by the shareholders at general meetings. The prospective director will first be assessed by the Nomination Committee, taking into account the balance of skills, knowledge, experience and diversity on the Board. Upon receiving the recommendation from the Nomination Committee, the proposed appointment will be considered and approved by the Board after due deliberation. All new Directors are subject to re-election by the shareholders at the Company's next general meeting or Annual General Meeting ("AGM"). All Directors are subject to retirement by rotation at the AGM at least once every three years in accordance with the amended and restated articles of association ("Amended and Restated Articles of Association"). The retiring Directors shall be eligible for re-election.

The Nomination Committee held one meeting during the financial year ended 31 December 2025. The following is an attendance record of the meeting held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	No. of meeting(s) attended/ No. of meeting held
Mr. Cheuk Wa Pang (<i>Chairman</i>)	1/1
Mr. Hu Xuefa	1/1
Prof. Chen Xin	1/1
Mr. Wang Liuqi	0/1
Ms. Xu Xia ^(a)	N/A
Mr. Zou Xiaoping	1/1

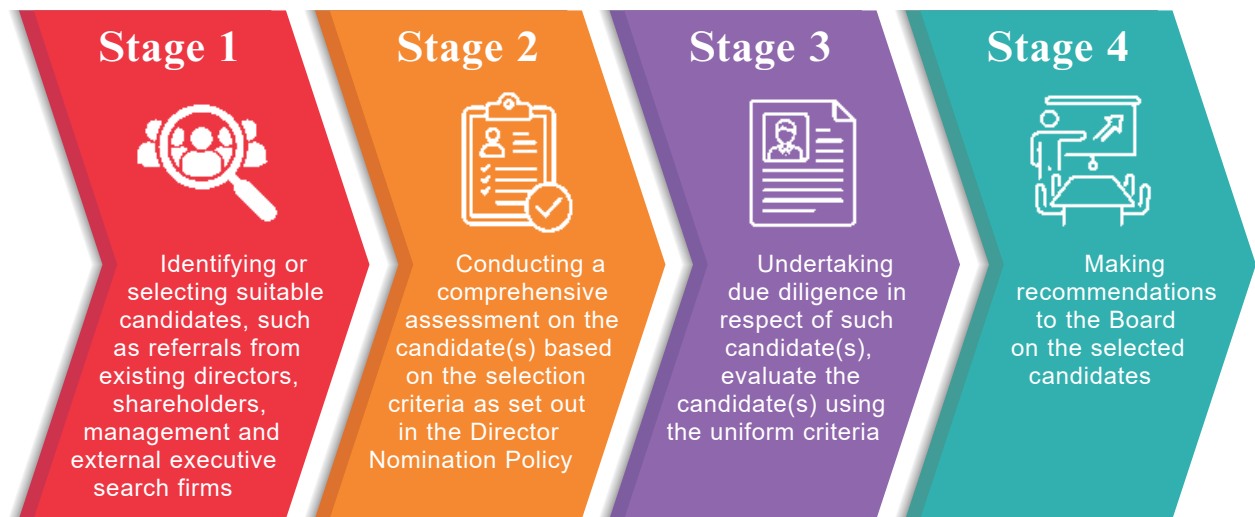
Note: ^(a) Ms. Xu Xia was appointed as a member of the Nomination Committee with effect from 28 March 2025.

DIRECTOR NOMINATION POLICY

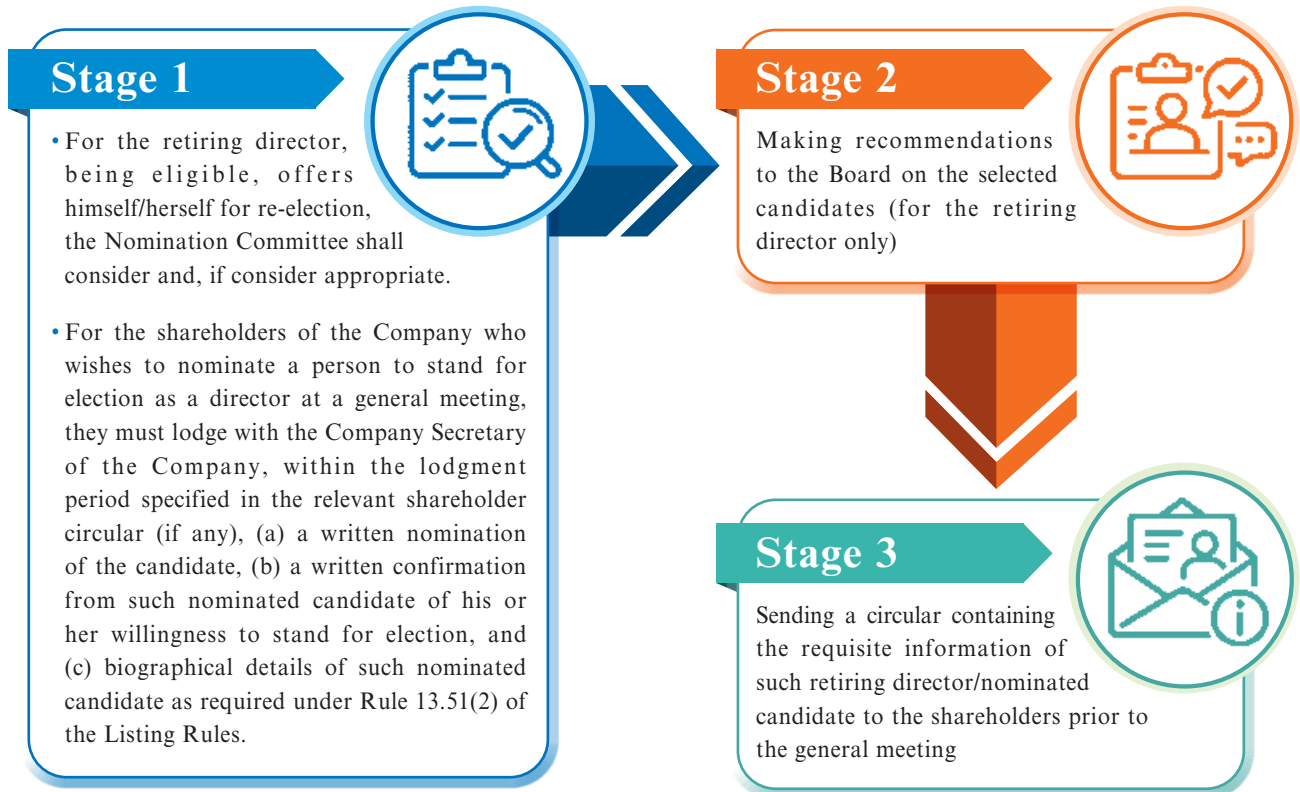
The Board has adopted the Director nomination policy (the "Director Nomination Policy"). This Director Nomination Policy aims to set out the approach to guide the Nomination Committee of the Company in relation to the selection, appointment and re-appointment of the directors of the Company.

Candidates are assessed on the basis of their integrity, character, time availability, knowledge and experience. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:



The process to re-election of Directors and Nomination from Shareholders would be as follows:



CORPORATE GOVERNANCE REPORT

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

- (1) Reviewed the structure, size, composition and diversity of the Board, as well as the skills, knowledge, qualifications and time engagement of the Directors;
- (2) Reviewed the independence of all independent non-executive Directors;
- (3) Recommended to the Board for endorsement on the re-election of the retiring Directors;
- (4) Discussed succession planning for directors;
- (5) Supported the Company regular evaluation of the Board's performance; and
- (6) Reviewed and assessed the time commitment of and contribution to the Board by each Director as well as the Director's ability to effectively discharge his or her responsibilities, taking into account factors including participation in Board and Board Committee meetings, existing listed company directorships and CPD training undertaken.

Every year on a regular basis, the Nomination Committee will make the assessment considered each Director's ability to discharge their responsibilities, referencing factors such as participation in Board and Board Committee meetings, existing listed company directorships, CPD training undertaken and the results of the performance evaluation for the Board and its committees. The Nomination Committee is satisfied that each Director can discharge their responsibilities effectively.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 9 November 2010 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Audit Committee comprises the four independent non-executive Directors, namely Mr. Cheuk Wa Pang, Mr. Hu Xuefa, Prof. Chen Xin and Mr. Wang Liuqi. Mr. Cheuk Wa Pang is the chairman of the Audit Committee.

The Audit Committee is responsible for reviewing and supervising the financial reporting process, the system of internal controls, financial controls and risk management. It is also responsible for reviewing the terms of engagement of the Company's auditor as well as their independence.

The Audit Committee held five meetings during the financial year ended 31 December 2025. The following is an attendance record of the meetings held by the Audit Committee for the financial year:

Name of Audit Committee Members	No. of meeting(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang (<i>Chairman</i>)	5/5
Mr. Hu Xuefa	4/5
Prof. Chen Xin	5/5
Mr. Wang Liuqi	3/5

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

- (1) Reviewed the Group's interim financial results;
- (2) Reviewed the Group's final results and recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's auditor (the "Auditor") at the AGM of the Company;
- (3) Reviewed the results of the audit on the continuing connected transactions;
- (4) Granted authorisation of non-audit services for which the Auditor provided;
- (5) Reviewed the Terms of Reference of the Audit Committee;
- (6) Reviewed the Group's internal controls and risk management functions for 2025;
- (7) Reviewed the Group's financial and accounting policies and practices with the Auditor; and
- (8) Reviewed the Group's Whistleblowing Policy.

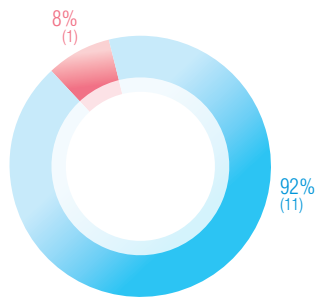
DIVERSITY

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a Board Diversity Policy in 2013. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, or professional experience. All Board appointments are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. Selection of candidates will be based on a range of diversity perspectives, but the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for monitoring the achievement of the measurable objectives and effectiveness of the Policy. Full contents of the Board Diversity Policy is available on the Company's website.

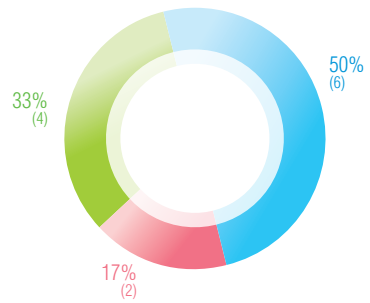
CORPORATE GOVERNANCE REPORT

The Company strives to ensure that the Board has a good balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Directors have balanced knowledge, skills and experience in engineering, business management, economics, financial reporting, taxation, sales and marketing. The following chart shows the diversity profile of the Board as at 31 December 2025:



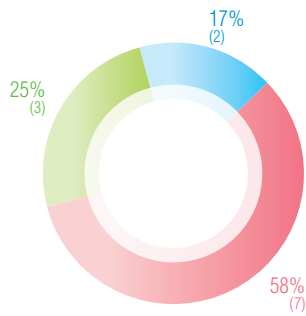
Gender

- Male
- Female



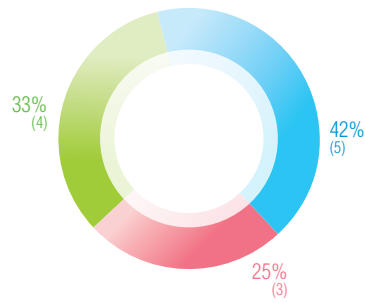
Designation

- Executive Directors
- Non-executive Directors
- Independent Non-executive Directors



Age Group

- 40-49
- 50-59
- 60-69



Year of Service

- Less than 5 years
- 5-10 years
- More than 10 years

The Board of the Company comprises both male and female directors, with one female director representing 8% of the Board members. The Company targets to maintain at least the current level of gender diversity of the Board.

The Company has the following measures to develop a pipeline of potential successors to the Board:

- the Company keeps track of the tenure of Directors and the need for new or replacement directors to be as dependent on the Company's business needs.
- the key criteria for evaluating candidates for directorship are set out in the Nomination Committee's terms of reference and the Company's Board Diversity Policy.
- the skills and experience of existing Directors help set the criteria for internal and external candidate search.
- external executive search firms may be engaged as appropriate to identify external candidates with desirable skillsets.

Members of the Board of the Company are of the view that the composition of the Board is in line with the diversity policy in terms of gender, age, cultural and educational background, or professional experience. In view of the above, the Nomination Committee considers that the Company has strictly implemented the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy on an annual basis to ensure its effectiveness and make recommendation to the Board on any amendments to the Board Diversity Policy as and when necessary.

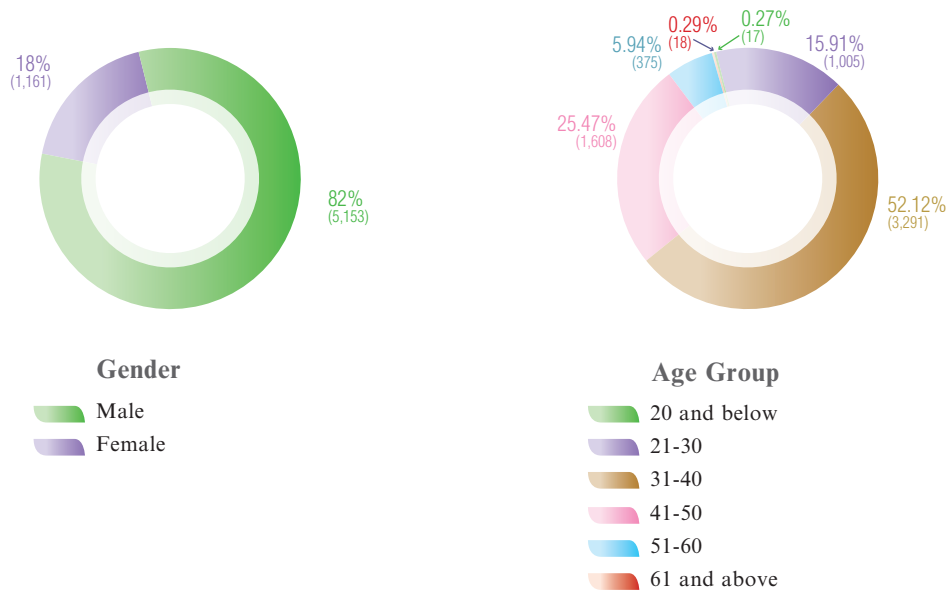
WORKFORCE DIVERSITY POLICY

The Board adopted a Workforce Diversity Policy in 2025. The Company values employee diversity and is committed to maintaining a workforce consisting of employees from various genders and backgrounds with appropriate skills and experiences. Notwithstanding that the workforce in the iron and steel service sector is traditionally male-dominated, the Company will strive to maintain a reasonable proportion of female senior management members and female employees, which is approximately 18% in total (including both female senior management members and other female employees). According to business needs, the age hierarchy of the employees will aim to ensure that the core workforce (30-50 years old) constitutes the majority, while young employees (under 30 years old) and senior employees (over 50 years old) will make up a smaller portion of the workforce.

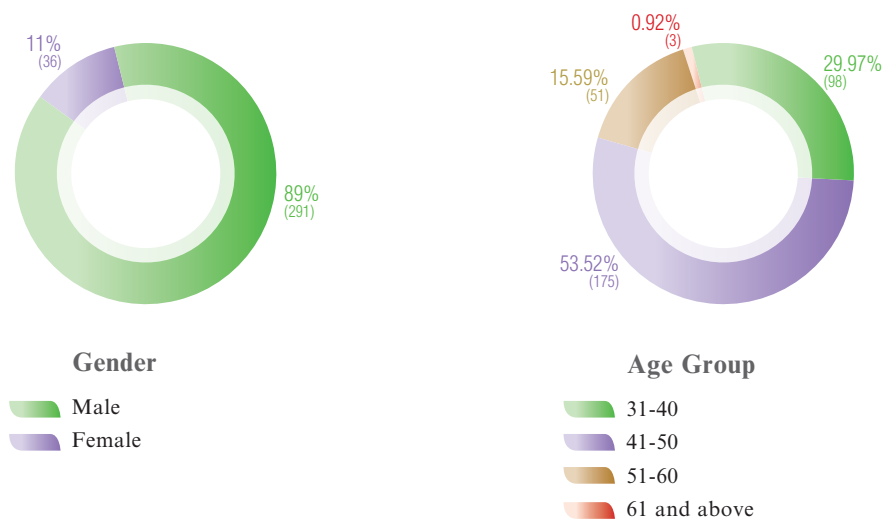
CORPORATE GOVERNANCE REPORT

Workforce Diversity Policy took effect upon approval by the Board of Directors of the Company. The Nominating Committee will review the policy in a timely manner and submit recommendations for amendments to the Board of Directors for approval. For the year ended 31 December 2025, our employees and senior management comprise 82% of male and 18% of female. The following chart shows the diversity profile of the employees (excluding senior management) and senior management as at 31 December 2025:

Employees (excluding senior management)



Senior Management



Further details of gender diversity among all employees of the Group, together with related information, are set out in the Group's independent environmental, social and governance report.

DIVIDEND POLICY

The Company adopted a Dividend Policy in 2019 and made a subsequent amendment on 28 March 2025. This Policy aims to determine the criteria governing the distribution of the Company's dividends, in a manner that contributes to achieving a balance between distributing sustainable dividends to shareholders and enhancing the Company's ability to achieve its objectives, to grow its business. In proposing any dividend payout, the Board shall take into account the following factors:

- the Group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and financial position of the Company;
- the Company's business strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Company's liquidity position;
- retained earnings and distributable reserves of the Company;
- the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions; and
- any other factors that the Board considers to be applicable from time to time.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis. To maintain sufficient capital to ensure the development of the Group's business and to safeguard financial stability in view of future uncertainties, the Board does not recommend the payment of a final dividend for the year ended 31 December 2025. The Company confirmed that the dividend decision is in line with its Dividend Policy.

AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the remuneration paid or payable by the Company and its subsidiaries to the Auditor, PricewaterhouseCoopers in respect of their audit and non-audit services were as follows:

Type of services	Fees paid/payable
Audit services	RMB2,610,000
Tax-related services	HK\$217,200
Financial due diligence and valuation services	RMB450,000

The Audit Committee considered that the non-audit services in 2025 did not impair the independence of the Auditor.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders Communication Policy

Purpose

The Board has adopted the shareholders communication policy (the “Shareholders Communication Policy”), which sets out the Company’s aims and practices in respect of communication with shareholders, potential investors as well as security analysts. The Company is committed to regular communication with our shareholders and investors to ensure that they have all available information to assess the Company’s strategic, operational and financial performance.

General Policy

The Board shall maintain an on-going dialogue with Shareholders and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

Information is communicated to the Shareholders and the investment community mainly through the Company’s financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited’s website (www.hkexnews.hk).

Any questions, requests and comments can be addressed to the Company by mail to Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong or by email to info@jsdmss.com.hk or through the Company’s share registrar.

Implementation of Shareholders Communication Policy

The Board understands the importance of maintaining an on-going dialogue with shareholders and in particular, uses AGM or other general meetings to communicate with shareholders and encourage their participation. Notice of AGM will be sent to shareholders at least 21 clear days before the meeting and for other general meetings, notice of the meeting will be sent at least 14 clear days before the meeting.

During the year, the Company held one shareholders meeting, being the 2025 annual general meeting (“2025 AGM”) held on 10 June 2025 at the Company’s headquarters in Wuxi, the People’s Republic of China. The related notice and circular have been sent to shareholders in accordance with the applicable rules and regulations. In order to ensure shareholders are familiar with the detailed procedures for conducting a poll, an explanation has been given by the chairman at the commencement of the meeting. The chairman, the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee and a majority of the other Directors in office at the time attended the 2025 AGM and were available to answer questions. The Company’s external Auditor attended the 2025 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence. The results of the poll have been published on the websites of the Company and The Stock Exchange of Hong Kong Limited. In respect of each separate issue at a general meeting, a separate resolution will be proposed by the chairman of that meeting.

CORPORATE GOVERNANCE REPORT

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. An interactive live broadcast platform will be held after the announcement of interim or annual results which will strengthen the communication with investors and Directors and/or senior management of the Company will be available to answer questions.

The Shareholders Communication Policy is reviewed annually. The Board has reviewed the Company's Shareholders Communication Policy for the year ended 31 December 2025. Having considered the multiple channels of communication in place as described above, the Board is of the opinion that its implementation is effective.

The individual attendance record of each Directors at these meetings is set out below:

	2025 AGM No. of meeting(s) attended/No. of meeting(s) held
Executive Directors	
Mr. Zhou Keming (<i>Chairman</i>)	1/1
Ms. Xu Xia	1/1
Mr. Zou Xiaoping	1/1
Mr. Zhang Feng ^(a)	1/1
Mr. Liang Zongren	1/1
Mr. Chen Ning ^(a)	1/1
Non-executive Directors	
Mr. Lu Jian	1/1
Mr. Lu Gang	1/1
Independent non-executive Directors	
Mr. Cheuk Wa Pang	1/1
Mr. Hu Xuefa	1/1
Prof. Chen Xin	1/1
Mr. Wang Liuqi	0/1

Note: ^(a) Mr. Zhang Feng and Mr. Chen Ning resigned as Directors of the Company on 26 March 2026.

There is no change in the Company's constitutional documents during the year ended 31 December 2025. A consolidation version of the Company's memorandum of association and amended and restated articles of association, Shareholder Communication Policy and Procedures for Shareholders to Propose a Person for Election as a Director are available on the Company's website.

The Company's announcements, circulars and other information are also available on the Company's website www.dmssc.net.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are reviewed annually. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company establishes an internal audit department to review the risk management and internal control systems of the Group. The monitoring of the day-to-day operations risk and internal control is conducted on an on-going basis. Such monitoring covers all material control aspects, including risks associated with financial instruments, raw material procurement and payment, production management, sales operations management, fixed asset safety, human resources, and regulatory controls. After reviewing the above scope, no significant issues were identified that could affect the Group's risk management and internal control systems as of 31 December 2025. Additionally, there were no signification changes in the Company's assessment of risks (including environmental, social, and governance risks) and the risk management and internal control systems during 31 December 2025.

In the event of a significant internal control deficiency, the internal audit department will activate the emergency response plan and collaborate with relevant functional centers to investigate the issue. The investigation will assess its nature, scope, and potential impact. Based on the findings, the department will consult with management and recommend specific corrective actions and improvement measures. Reports on risk management and internal control systems are prepared annually, with the Internal Audit Department providing confirmation to the Audit Committee regarding the effectiveness of the risk management and internal control systems. The Audit Committee reviews the results and findings to assess their effectiveness, and subsequently submits its evaluation to the Board for review. Having considered on these procedures as described above, the Board and the Audit Committee considers that the Group's risk management and internal control systems are adequate and effective.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities of each level of the structure are summarized below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually and such reviews cover all material controls including financial, operational and compliance controls;
- Considers major findings on risk management and internal control matters and then reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;
- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit department; and
- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Department

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- Reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weakness identified.

Internal Audit Function

The Group's internal audit function is performed by an internal audit department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit department performs regular and specific internal audit projects and reports to the Audit Committee annually.

The process for conducting and reviewing the effectiveness of the Company's and its subsidiaries' risk management and internal control systems by the internal audit department is as follows:

- Audit work plan and program: Develop audit plans and programs; establish audit project teams.
- Audit notification: Issue audit notices to inform the audited units to cooperate.
- Conducting the audit: Perform on-site audits, collect evidence, and record working papers.
- Prepare and issue audit report: Prepare and issue audit reports within a specified timeframe to the audited units for feedback.
- Audit conclusions and decisions: Review the reports, make conclusions and handling decisions, and ensure the audited units implement corrective actions.
- Handling objections: If the audited units have objections, they should submit complaints within the deadline. The head of the internal audit department will handle them promptly and may escalate to the Audit Committee.
- Follow-up audit: Track the implementation of corrective measures to ensure issues are resolved.

The process used to identify, evaluate and manage significant risks are summarized as follows:

- Identify risks in the Group's operations through continuing collections and analysis of operational data.
- Evaluate the risks identified and assess their impacts on the Group's business.
- Categorize the risks by comparing the results of the risk evaluation.
- Develop necessary measures to manage those risks identified.
- Performs ongoing and periodic monitoring of the risk and review the effectiveness of the risk management strategies and internal control procedures.

Handling and dissemination of inside information

The Group has implemented various procedures and measures to ensure that potential inside information is appropriately safeguarded and kept confidential until it is disclosed in a timely and consistent manner in accordance with the Listing Rules. These measures include raising awareness within the Group regarding the importance of maintaining the confidentiality of inside information, disseminating information solely to designated persons on a strictly confidential basis, and issuing notifications regarding securities dealing restrictions to Directors and senior management. Should the Group believe that it is unable to sustain the necessary level of confidentiality, or suspect that such confidentiality has been compromised, it will promptly disclose the relevant information to the public. The Group is dedicated to ensuring that all disclosures are truthful, accurate, and not misleading. The procedures and internal controls for the handling and dissemination of inside information and the procedures for timely, accurate and complete disclosure of discloseable information (including inside information and any other information required to prevent a false market in the Company's shares) are as follow:

- Designated reporting channels from different operations informing any potential discloseable information (including potential inside information) to designated departments;
- Designated persons and departments responsible for assessing, escalating to the Board, and the Board would be responsible for deciding on whether further disclosure is needed and ensuring that any disclosure is made in a timely and accurate manner; and
- The Board, with the support of the company secretarial department of the Company, ensures that discloseable information (including inside information) would be announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dmssc.net).

Policies for Whistleblowing and Anti-fraud

The Group is committed to upholding high standards of business ethics. The Group has adopted a Whistleblowing Policy and an Anti-Fraud Policy to provide guidance to employees on how to identify and handle bribery and corruption. The Group's whistleblowing procedures include setting up a reporting box and hotline to encourage reporting of observed or suspected irregularities and suspicious behaviour. Where necessary, reported cases are escalated to the Audit Committee for dedicated handling.

The Whistleblowing Policy and Anti-Fraud Policy have been published on the Company's website for public information.

EXECUTIVE DIRECTORS

Mr. Zhou Keming (“Mr. Zhou”), last re-elected on 11 June 2024

Aged 56, was appointed as an executive Director on 14 February 2007. He is also the chairman of the Board of the Company. Mr. Zhou is one of the founders of the Group and is responsible for the Group’s overall business strategy. He has extensive experience in the steel industry. Mr. Zhou was qualified as a senior economist in 2007 by the Appraisal Committee for Senior Economic Technical Qualification of Jiangsu. Mr. Zhou currently serves as a director and legal representative of certain subsidiaries of the Company.

Mr. Zhou is the husband of Ms. Xu Xia, an executive Director and a substantial Shareholder of the Company.

Ms. Xu Xia (“Ms. Xu”), last re-elected on 10 June 2025

Aged 51, was re-appointed as an executive Director on 24 March 2016 and was appointed as a vice-chairman of the Board of the Company on 18 April 2018. Ms. Xu was appointed as a member of the Nomination Committee on 28 March 2025, Ms. Xu currently serves as a director of certain subsidiaries of the Company. Ms. Xu was an executive Director of the Company from February 2007 to December 2015. She is one of the founders of the Group and is responsible for the Group’s business operation and administration. Ms. Xu has extensive sales and business development experience in the steel industry. Ms. Xu graduated from China Textile University (currently known as Donghua University) in 1995 with a Diploma in Trading Operation. She also completed Advanced Studies for Senior Executives at College of Continuing Education of Fudan University in 2005 on a part-time basis.

Ms. Xu is the wife of Mr. Zhou, the chairman of the Board, an executive Director and a substantial shareholder of the Company.

Mr. Zou Xiaoping (“Mr. Zou”), last re-elected on 11 June 2024

Aged 61, was appointed as an executive Director on 9 March 2007 and appointed as a vice-chairman of the Board of the Company on 18 April 2018. Mr. Zou is a member of the Nomination Committee and the Remuneration Committee of the Company and the supervisor of Taiyuan Taigang Daming Metal Technology Co., Ltd. (“Taiyuan Taigang”), being a non-wholly-owned subsidiary of the Company. He joined the Group in 2002 and is responsible for the Group’s overall management, administration and operation. Prior to joining the Group, Mr. Zou worked at Local Tax Bureau, Qianzhou Town, Xishan District from 1986 to 2002 on taxation matters and was granted a certificate for having undergone the in-service taxation training offered to the civil servants in 2000, when serving as the assistant to the head of the Bureau. Mr. Zou has extensive experience in taxation and corporate management. He graduated from Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party with a Bachelor of Laws degree in 2004 and obtained a Master of Business Administration degree from Asia International Open University (Macau) (currently known as City University of Macau) in 2005.

PROFILE OF DIRECTORS AND COMPANY SECRETARY

Mr. Liang Zongren (“Mr. Liang”), last re-elected on 10 June 2025

Aged 57, was appointed as an executive Director on 12 June 2024. Mr. Liang is currently the president of the Company and a chairman of Zhejiang Daming Hanwa Metal Technology Co., being a non-wholly-owned subsidiary of the Company. Mr. Liang studied metal pressing and forming and graduated from Northeastern University (formerly known as Northeastern Institute of Technology) in the People’s Republic of China (“PRC”) in July 1990 and he further obtained a degree of Master of Business Administration from the Ohio University in the United States in December 2004.

Mr. Liang has extensive experience in production, technology and marketing of carbon steel. From 1990 to 2017 (except 2004), Mr. Liang worked in various positions including assistant to the general manager, head of the silicon steel business department, general manager of the marketing department, general manager of steel processing and distribution department, and general manager of the marketing center of Wuhan Iron and Steel Co., Ltd in China Baowu Steel Group Corp., Ltd. (formerly known as Wuhan Iron and Steel Group Co., Ltd.) (“China Baowu”) which is a substantial shareholder of the Company and Wuhan Iron and Steel Group Co., Ltd. is an indirect non-wholly-owned subsidiary of China Baowu, deputy general manager of Wuhan Iron and Steel Co., Ltd and deputy director of the National Silicon Steel Engineering Technology Research Center. From 2017 to 2019, he served as deputy general manager of Rizhao Iron and Steel Holding Group Co., Ltd., where he was mainly responsible for technical quality control, laboratory test and new product development. From January 2021 to October 2021, Mr. Liang served as the chief engineer of the Group, and was appointed as vice president from October 2021 to December 2023.

NON-EXECUTIVE DIRECTORS

Mr. Lu Jian (“Mr. Lu”), last re-elected on 10 June 2025

Aged 51, was appointed as a non-executive Director on 27 March 2020. Mr. Lu graduated from Beijing University of Technology in July 1996 with a Bachelor’s degree of Metal Press Forming.

Mr. Lu has extensive experience in sales and marketing of stainless steel. He is currently the department head of operations improvement department of Taiyuan Iron & Steel (Group) Co., Ltd. (“Taiyuan Steel”), a state-owned enterprise incorporated in the PRC.

From July 1996 to April 2002, Mr. Lu was the operations officer at the medium-sized rolled plate section of the sales office of Taiyuan Steel. From April 2002 to January 2005, he was deputy manager of Taiyuan Spot Sales Company. Mr. Lu was the head of the medium-sized rolled plate section of the sales office of Taiyuan Steel and the head of the medium-sized rolled plate section at the operations and sales department of Shanxi Taigang Stainless Steel Co., Ltd. (“Shanxi Taigang”) from January 2005 to April 2007. From April 2007 to July 2009, Mr. Lu was the head of the medium-sized rolled plate section of the sales and marketing department of Shanxi Taigang. From July 2009 to January 2010, Mr. Lu was the director of the operations planning office of the sales and marketing department of Shanxi Taigang. From January 2010 to May 2011, he was the assistant to the head of sales and marketing department of Shanxi Taigang and the director of the operations planning office of the sales and marketing department of Shanxi Taigang. Mr. Lu was the deputy head of the sales and marketing department and the deputy general manager of the marketing centre of Shanxi Taigang from 2011 to 2022. From April 2022 to September 2022, he was the deputy department head of the systems innovation department of Taiyuan Steel. He has been serving as the head of the system innovation department (operations improvement department) of Taiyuan Steel since September 2022.

Mr. Lu Gang (“Mr. Lu”), last re-elected on 10 June 2025

Aged 48, was appointed as a non-executive Director on 20 December 2024. Mr. Lu is currently the deputy general manager of the operation and finance department of Shanghai Baosteel Stainless Steel Co., Ltd. (“Shanghai Baosteel”), which is a wholly-owned subsidiary of China Baowu. Mr. Lu obtained a Bachelor’s Degree in Accounting from Northeastern University in the PRC in July 2000 and he further obtained a degree of Master of Business Administration from Shanghai University of Finance and Economics in the PRC in January 2013.

PROFILE OF DIRECTORS AND COMPANY SECRETARY

Mr. Lu has extensive experience in finance. From 2000 to 2005, Mr. Lu served as the project financial supervisor of the planning and finance department of Baosteel Group Shanghai First Steel Co., Ltd. (“Baosteel Group Shanghai First Steel”). Baosteel Group Shanghai First Steel is an indirect wholly-owned subsidiary of China Baowu. From 2005 to 2014, Mr. Lu worked in various positions including the budget management supervisor and cost management supervisor of the finance department, the budget management supervisor, assistant to the department head and budget management supervisor of the operations and finance department, and the assistant to the director of the steelmaking plant in Baosteel Stainless Steel Co., Ltd (“Baosteel Stainless Steel”). Baosteel Stainless Steel was merged into Shanghai Baosteel in 2019 and Shanghai Baosteel is now a direct wholly-owned subsidiary of China Baowu. From 2014 to 2024, Mr. Lu served various positions including the operations management accountant, operations management chief accountant, budget director, senior manager and deputy director of the finance department in Baowu Carbon Technology Co., Ltd. (formerly known as Shanghai Baosteel Chemical Co., Ltd. and Baowu Carbon Material Technology Co., Ltd. (“Baowu Carbon Technology”) and the director of a subsidiary Baowu Carbon Technology. Baowu Carbon Technology is a company indirectly invested in by China Baowu, which is a substantial shareholder of the Company, and its holding company is Baoshan Iron and Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600019)).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheuk Wa Pang (“Mr. Cheuk”), last re-elected on 11 June 2024

Aged 61, was appointed as an independent non-executive Director since 20 March 2007. He is currently the chairman of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Cheuk is currently the chief financial officer and the qualified accountant of Lee Kee Holdings Limited (stock code: 637), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheuk has extensive experience in accounting and auditing. Mr. Cheuk holds a Bachelor of Science degree in Engineering from the University of Hong Kong, a Master degree in Applied Finance and a Master degree in Business Administration from Macquarie University in Australia. Mr. Cheuk is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Hu Xuefa (“Mr. Hu”), last re-elected on 9 June 2023

Aged 63, was appointed as an independent non-executive Director since 30 May 2018. He is currently a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He has been a qualified senior engineer (professor level) in Shanghai, the PRC since February 2013. He obtained a Master’s degree in Executive Master of Business Administration from China Europe International Business School in 2011. In 2008 and 2003, Mr. Hu obtained a Doctorate degree in Engineering and a Master’s degree in Mechanical Engineering, respectively, from Northeastern University, the PRC.

Mr. Hu has extensive experience in the steel industry. From April to November 2017, he was the general manager of Rizhao Steel Holdings Group Company Ltd.. From April 2014 to March 2017, he was an executive director and the general manager of Baosteel Stainless Steel. From March 2011 to April 2014, Mr. Hu was the assistant general manager and general manager of Planning and Development Department of Baosteel Group Limited. Mr. Hu worked as an assistant general manager of Baosteel Company Limited between April 2010 and March 2011 and the general manager of Baosteel Plate Company between April 2008 and April 2010. From August 1999 to April 2008, Mr. Hu was the deputy general manager of Baosteel Group Pu Steel Company.

Prof. Chen Xin (“Prof. Chen”), last re-elected on 11 June 2024

Aged 50, was appointed as an independent non-executive Director since 16 December 2021. He is currently a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He graduated from Huazhong Institute Technology (which is currently known as Huazhong University of Science and Technology), the PRC, in July 1996 with a Bachelor’s degree of Economics Specializing in International Trade. He obtained the Degree of Doctor of Philosophy at the University of Minnesota, the United States, in August 2005.

Prof. Chen has extensive teaching experience in relation to accounting. He worked as an associate professor in accounting at Antai College of Economics and Management of the Shanghai Jiao Tong University from January 2006 to December 2016. He worked as a professor at the Shanghai Advanced Institution of Finance of Shanghai Jiao Tong University from May 2018 to January 2025. Then he has been working as a professor (practice) at Dishui Lake Advanced Finance Institute of Shanghai University of Finance and Economics since February 2025 and he has been working as a deputy dean of the Institute of Financial Innovation, Shanghai University of Finance and Economics & Shanghai Pudong Development Bank since June 2025.

Prof. Chen is a member of The 15th Committee of Shanghai Xuhui District of the Chinese People’s Political Consultative Conference.

Prof. Chen is currently an independent director of Xiamen Bank Co., Ltd., whose shares are listed on Shanghai Stock Exchange (stock code: 601187.SH) since July 2021, and an independent director of Shanghai Lingang Holdings Co., Ltd., whose shares are listed on Shanghai Stock Exchange (stock code: 600848.SH) since October 2024. Prof. Chen has also served as an independent non-executive director of Financial Street Securities Co., Limited (stock code on Stock Exchange in Hong Kong: 1476.HK) since September 2023.

Mr. Wang Liuqi (“Mr. Wang”), last re-elected on 10 June 2025

Aged 54, was appointed as an independent non-executive Director since 12 June 2024. He is currently a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is currently the executive director and legal representative of Beijing Raystone Capital Management Co., Ltd., and is currently the non-executive director of Quam Plus International Financial Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 952). Mr. Wang obtained (i) a Bachelor’s degree in accounting and a Master’s degree in accounting from Jilin University of Finance and Economics (formerly known as Changchun Taxation Institute) in the PRC in 1995 and 2001, respectively; and (ii) a Doctorate in management from Chinese Academy of Fiscal Science (formerly known as the Institute of Fiscal Science of the Ministry of Finance) in the PRC in 2009. He is a non-practicing member of the Chinese Institute of Certified Public Accountants, a senior chartered certified accountant and one of the first batch of sponsor representatives in the PRC.

PROFILE OF DIRECTORS AND COMPANY SECRETARY

Mr. Wang has extensive experience in investment banking business planning and risk control, industrial policy, listed company corporate governance and capital operations. From 1993 to 1999, Mr. Wang served as a lecturer at Changchun Institute of Technology. From 1999 to 2009, Mr. Wang worked in various positions at Northeast Securities Co., Ltd. (its shares are listed on the Shenzhen Stock Exchange, stock code: SZ000686) (“Northeast Securities”), including serving as business manager of investment bank headquarters of Northeast Securities, senior manager, general manager of Northeast investment banking department, general manager of Beijing investment banking department, general manager of mergers and acquisitions department, and general manager of investment banking management headquarters. From 2009 to 2011, he served various positions including assistant to the general manager and general manager of the investment banking headquarters of Capital Securities Corporation Limited (stock code: SH601136), a company listed on the Shanghai Stock Exchange. From 2011 to 2018, Mr. Wang served as the business director (vice president) of the equity financing business line of China Galaxy Securities Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited (stock code: 6881) and the Shanghai Stock Exchange (stock code: SH601881), member of execution committee as well as the general manager of the investment banking headquarters. He also served as an independent director of Everbright Jiabao Co., Ltd. (stock code: SH600622), a company listed on the Shanghai Stock Exchange, from 2020 to 2022. Since April 2023, Mr. Wang has served as the deputy director of the 15th Central Economic Committee of the China Association for the Promotion of Democracy.

COMPANY SECRETARY

Mr. Leung Man Fai (“Mr. Leung”)

Aged 61, joined the Group in 2007 as the chief financial officer and company secretary of the Group. Mr. Leung has extensive experience in accounting and finance. Before joining the Group, Mr. Leung served as a financial controller and company secretary of a private company during 2003 to 2006. From 1996 to 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within the ITC Corporation (currently known as PT International Development Corporation Limited, stock code: 372), the shares of which are listed on main board of The Stock Exchange of Hong Kong Limited. He also worked as a senior accountant during 1992 to 1996 in Hopewell Holdings Limited, which was delisted from the main board of The Stock Exchange of Hong Kong Limited on 3 May 2019. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The Directors hereby present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Group is engaged in processing, distribution and sale of stainless steel and carbon steel products.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's operations for the year ended 31 December 2025, particulars of important events affecting the Group that have occurred since the end of the financial year 2025 (if any) as well as an indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 6 to 12 and, a description of the principal risks and uncertainties facing the Group is set out in the sections headed "Management Discussion and Analysis" on pages 13 to 17 of this Annual Report respectively. A discussion on the Group's environmental policies and performance is set out in the Environmental, Social and Governance Report. An analysis of the Group's performance during the financial year 2025 using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis" on pages 13 to 17 of this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025 and up to the date of this Annual Report, to the best of the Directors' knowledge, there were no material breaches of, or non-compliance with, the relevant laws, rules and regulations by the Group that have significant impacts on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees, customers and suppliers are crucial for its sustainable development. The Group is committed to maintain a close relationship with its employees and provide them with competitive remuneration packages and opportunities within the Group for career advancement. For customers, the Group upholds a "customer-centric" philosophy and is committed to offering its downstream customers cost-effective and high-quality materials and manufacturing services together with fast delivery. For suppliers, the Group adheres to the principles of fairness, impartiality, and transparency, aiming at building long-term, stable partnerships with the suppliers that achieve mutual benefits.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of comprehensive income on page 69.

DIVIDENDS

The Directors did not declare any payment of an interim dividend (2024: Nil) during the year.

To maintain sufficient capital to ensure the development of the Group's business and to safeguard financial stability in the face of future uncertainties, the Board does not recommend the payment of a final dividend (2024: Nil) for the year ended 31 December 2025.

DIRECTORS' REPORT

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 21 and Note 38 to the consolidated financial statements respectively.

As of 31 December 2025, our reserves available for distribution amounted to approximately RMB1,923.2 million (2024: RMB1,905.1 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2025.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company are set out in Note 19 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The five largest suppliers accounted for approximately 67% of the Group's total purchases for the year and the largest supplier accounted for approximately 39% of the Group's total purchases.

Except China Baowu Steel Group Corporation Limited, which owned approximately 16.28% of the issued share capital of the Company indirectly, is a supplier of the Group, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

BORROWINGS

Particulars of borrowings of the Group are set out in Note 24 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the Group's results, assets, liabilities for the last five years is set out in the section headed "Financial summary" on page 152.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum of association and Amended and Restated Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 25 August 2011. The major terms of the share award scheme are as follows:

The purpose of the share award scheme is to encourage and retain Selected Employees (including any directors, as defined below) to work with our Group and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Employees directly to the shareholders of the Company through ownership of shares.

Selected Employees include employees selected by the Remuneration Committee (after taking into consideration recommendations and suggestions made by the Chairman) and approved by the Board pursuant to the share award scheme rules and employees selected by the trustee after having taken into consideration recommendations made by the Chairman, considered and consented to by the Remuneration Committee and approved by the Board pursuant to the share award scheme rules for participation in the share award scheme.

Subject to the terms of the share award scheme and unless otherwise determined by the Board at its discretion, the awarded shares held by the trustee upon the trust and which are referable to a Selected Employee shall be vested in that Selected Employee in the following manner: (a) on the date falling on the third anniversary of the relevant the date of approval by the Board of the total number of shares to be awarded to each Selected Employee in respect of the relevant financial year pursuant to the share award scheme ("Reference Date") (or, if such date is not a business day, the business day immediately following such date), up to 30% of the awarded shares awarded to that Selected Employee shall be vested in that Selected Employee; (b) subject to sub-paragraph (a) above, on the date falling on the fourth anniversary of the relevant Reference Date (or, if such date is not a business day, the business day immediately following such date), up to 60% of the awarded shares awarded to that Selected Employee shall be vested in that Selected Employee; and (c) subject to sub-paragraphs (a) and (b) above, on the date falling on the fifth anniversary of the relevant Reference Date (or, if such date is not a business day, the business day immediately following such date), all awarded shares awarded to that Selected Employee shall be vested in that Selected Employee, (in each case, rounded down to the nearest whole board lot of 2,000 shares) or at such times and in such manner as may be determined by the Remuneration Committee and approved by the Board from time to time, provided that such Selected Employee remains at all times after the relevant Reference Date and on the relevant vesting date(s) an employee and that such Selected Employee has, as of the relevant vesting date(s), achieved the key performance indicator (if any) as specified in the letter of grant or as determined by the Remuneration Committee and approved by the Board and satisfied all the conditions as specified in the letter of grant or otherwise required by the Company under the share award scheme.

There is no information under the terms of the share award scheme of the Company in relation to maximum entitlement for each participant under the scheme, the amount payable upon application or acceptance of the award, the timeframe for payments or calls, and the basis of determining the purchase price of shares awarded.

Subject to any early termination in accordance with the share award scheme rules, the share award scheme shall be valid and effective for a period commencing on 25 August 2011 and ending on a date to be determined by the Board (both dates inclusive), after which no further award will be made but the provisions of the share award scheme shall remain in full force and effect to the extent necessary to give effect to any awards granted prior thereto or otherwise as may be required in accordance with the provisions of the share award scheme.

Shares will be acquired by an independent trustee by purchase in the market out of cash at the cost of the Company and be held in trust for the awarded persons until the end of each vesting period. Where any award is proposed to be made to any Selected Employee who is a director, supervisor or senior management of any member of the Group, or where the Board proposes to waive any conditions, restrictions or limitations imposed on any award made to such Selected Employee, such award or waiver (as the case may be) must first be considered and approved by the Remuneration Committee and by the Board. Where a Selected Employee or his associate (within the meaning of the Listing Rules) is a director, such person shall abstain from voting on any approval by the Remuneration Committee and the Board of an award to such Selected Employee.

During the year, none of the Company's existing ordinary shares have been purchased for the share award scheme. There were no unvested awards at the beginning and at the end of the financial year ended 31 December 2025. No awarded shares were granted, vested, lapsed or cancelled during the year ended 31 December 2025. As at 31 December 2025, the independent trustee holds 17,614,000 shares of the Company for the share award scheme, representing 1.38% (2024: 1.38%) of the issued shares (excluding treasury shares) of the Company.

CONTINUING CONNECTED TRANSACTIONS

On 28 June 2023, the Company and China Baowu entered into the new framework agreement (the "New Framework Agreement") (i) the Group agrees to purchase and China Baowu Group agree to supply steel to the Group; and (ii) the China Baowu Group agrees to purchase and the Group agrees to supply processed metallic goods and processing services to the China Baowu Group for the period from 1 January 2024 to 31 December 2026. As at the date of the New Framework Agreement, China Baowu indirectly held approximately 16.28% of the total number of issued shares of the Company, and was therefore, a substantial shareholder and a connected person of the Company.

Pursuant to the New Framework Agreement, the maximum aggregate amounts to be paid by the Group to the China Baowu Group for the purchase of steel are expected not to exceed approximately RMB26.2 billion, RMB30.3 billion and RMB36.2 billion for each of the three years ending 31 December 2026, respectively; and the maximum aggregate amounts to be paid by the China Baowu Group to the Group for the provision of processed metallic goods and processing service are expected not to exceed approximately RMB0.62 billion, RMB0.72 billion and RMB0.86 billion for each of the three years ending 31 December 2026, respectively.

The New Framework Agreement was approved by the independent shareholders of the Company at an extraordinary general meeting held on 8 November 2023. Details of the New Framework Agreement were disclosed in the announcement of the Company dated 28 June 2023 and the circular dated 26 September 2023.

For the year ended 31 December 2025, (i) supply of steel by the China Baowu Group to the Group amounted to approximately RMB15.9 billion, not exceeding the annual cap of RMB30.3 billion; and (ii) supply of processed metallic goods and processing service by the Group to China Baowu Group amounted to approximately RMB0.12 billion, not exceeding the annual cap of RMB0.72 billion.

The above continuing connected transactions have been reviewed by the independent non-executive Directors of the Company who have confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor was engaged to report on the Group'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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Auditor has issued an unqualified letter containing the findings and conclusions in respect of the above continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules.

A summary of related party transactions during the year is disclosed in note 37 to the consolidated financial statements of this Annual Report.

DIRECTORS

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

Executive Directors

Mr. Zhou Keming (*Chairman*)
Ms. Xu Xia (*Vice-chairman of the Board*)
Mr. Zou Xiaoping (*Vice-chairman of the Board*)
Mr. Zhang Feng (*resigned on 26 March 2026*)
Mr. Liang Zongren
Mr. Chen Ning (*resigned on 26 March 2026*)

Non-executive Directors

Mr. Lu Jian
Mr. Lu Gang

Independent Non-Executive Directors

Mr. Cheuk Wa Pang
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi

In accordance with Article 84 of the Amended and Restated Articles of Association of the Company, Mr. Zhou Keming, Mr. Zou Xiaoping, Mr. Cheuk Wa Pang and Mr. Hu Xuefa retire from office by rotation at the Company's 2026 annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

According to code provision B.2.3 of the CG Code in Appendix C1 to the Listing Rules, as Mr. Cheuk Wa Pang has served as an independent non-executive Director for more than 9 years, his re-appointment should be subject to a separate resolution to be approved by shareholders.

The biographical details of Directors are set out on pages 43 to 48 of this Annual Report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the last published interim report up to the date of this report are set out below.

- (1) Prof. Chen Xin ceased to be an independent director of Guangdong Qunxing Toys Joint-stock Co. Ltd., with effect from October 2025 (listed on Shanghai Stock Exchange).
- (2) Prof. Chen Xin ceased to be a director of Yunnan Investment Holding Group Co., Ltd. with effect from April 2025.
- (3) Prof. Chen Xing was appointed as a deputy dean of the Institute of Financial Innovation, Shanghai University of Finance and Economics & Shanghai Pudong Development Bank since June 2025.

(4) The salaries of the following Directors were decreased as follows:

Name of Directors	Amount of new salary (HK\$)	Effective Date
Mr. Zhou Keming	15,000 per month	1 January 2026
Ms. Xu Xia	15,000 per month	1 January 2026
Mr. Zou Xiaoping	15,000 per month	1 January 2026
Mr. Zhang Feng (<i>resigned on 26 March 2026</i>)	15,000 per month	1 January 2026
Mr. Liang Zongren	15,000 per month	1 January 2026
Mr. Chen Ning (<i>resigned on 26 March 2026</i>)	15,000 per month	1 January 2026

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Save as disclosed under section headed "Share Award Scheme" above, at no time during the year ended 31 December 2025 was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2025, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long and short position in the shares and underlying shares of the Company

Name of Director	Nature of interests	Number of shares/underlying shares held	% of issued share capital
Mr. Zhou Keming	Personal, family and corporate	738,551,000 ⁽¹⁾	57.95%
Ms. Xu Xia	Personal and family	738,551,000 ⁽¹⁾	57.95%
Mr. Zou Xiaoping	Personal and family	5,060,000 ⁽²⁾	0.40%
Mr. Zhang Feng ⁽³⁾	Personal	2,144,000	0.17%

⁽¹⁾ 738,435,000 shares are held by Ally Good Group Limited, which is owned as to 77.2% by Mr. Zhou Keming, and 22.8% by Ms. Xu Xia. 60,000 shares are held by Mr. Zhou Keming and 56,000 shares are held by Ms. Xu Xia personally.

⁽²⁾ 60,000 shares are held by Mr. Zou Xiaoping and 5,000,000 shares are held by Mr. Zou Xiaoping's spouse, Ms. Li Jun.

⁽³⁾ resigned on 26 March 2026.

(b) Long position in the shares in associated corporation(s)

Name of Director	Name of associated corporation	Nature of interests	Number of shares held	% of issued share capital of associated corporation
Mr. Zhou Keming	Ally Good Group Limited ⁽¹⁾	Personal and family	1,000 ⁽²⁾	100%
Ms. Xu Xia	Ally Good Group Limited ⁽¹⁾	Personal and family	1,000 ⁽²⁾	100%

⁽¹⁾ As at 31 December 2025, Ally Good Group Limited is the holder of 57.94% of the issued share capital of the Company and is an associated corporation under SFO.

⁽²⁾ 772 shares are held by Mr. Zhou Keming and 228 shares are held by Ms. Xu Xia. Ms. Xu Xia is the spouse of Mr. Zhou Keming.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debenture of the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Aggregate long position in the shares and underlying shares of the Company

Name of Shareholder	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
<i>Long position</i>		
Ally Good Group Limited	738,435,000 ⁽¹⁾	57.94%
China Baowu Steel Group Corporation Limited ("China Baowu")	207,500,000 ⁽²⁾	16.28%
Baosteel Stainless Steel (International) Limited ("Baosteel")	103,750,000	8.14%
Tisco Trading (H.K.) Limited ("Tisco (H.K.) Limited")	103,750,000	8.14%

⁽¹⁾ As Ally Good Group Limited is owned as to 77.2% by Mr. Zhou Keming and 22.8% by Ms. Xu Xia, they have interest in these shares as disclosed under the previous section.

⁽²⁾ These Shares comprise 103,750,000 shares held by China Baowu indirectly through Baosteel and 103,750,000 shares held by China Baowu indirectly through Tisco (H.K.) Limited. China Baowu owned 51% equity interests in Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel"). Taiyuan (Group) International Trade Co., Ltd. ("Taiyuan (Group) International") is a direct wholly-owned subsidiary of Taiyuan Steel. Taiyuan (Group) International owned 12.23% equity interests in Tisco (H.K.) Limited, Taiyuan Steel directly owned 87.77% equity interest in Tisco (H.K.) Limited, Tisco (H.K.) Limited is a subsidiary of Taiyuan Steel. As such, China Baowu was deemed to be interested in the same 103,750,000 shares in which Tisco (H.K.) Limited held.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2025.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the financial year ended 31 December 2025.

EMOLUMENT POLICY

The Group employed a total of 6,641 staff members as at 31 December 2025 (2024: 6,738), of which 4,858 were production and technical personnel, representing 73.1%; 1,162 were sales personnel, representing 17.5%; and 621 were management and financial officer, representing 9.4%. There was a decline of approximately 1.4% in our workforce in 2025 as compared with 2024 mainly due to employee optimisation and staff turnover. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share award scheme for its employees, detail of which are set out in the section headed "Share Award Scheme" on pages 51 to 52 of this report, providing incentives and rewards to eligible participants with reference to their contribution. The Directors' remuneration is subject to review by the Remuneration Committee and approval by the Board, with considerations on their duties, responsibilities, and performance; the remuneration levels of comparable companies within the industry; the market competitiveness of their compensation; and the Group's overall results. Details of the Directors' remunerations and emoluments of the five highest paid individuals in the Group are set out in Note 39 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2025, none of the Directors had any interest, other than the business of the Group, whether directly or indirectly, in any business which competes or may compete with that of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company confirms that it has complied with Rule 13.32B and relied on the Initial Prescribed Threshold (as defined in the Listing Rules) maintaining the prescribed public float of at least 25% of the Company's issued Shares (excluding treasury shares) as required under the Listing Rules throughout the year ended 31 December 2025 and up to 23 April 2026, being the latest practicable date prior to the issue of this Annual Report. As at 31 December 2025, approximately 25.207% of the shares of the Company were held by the public.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 23 April 2026, being the latest practicable date prior to the issue of this Annual Report, the following table sets forth information with respect to the ownership composition of the ordinary shares of the Company as at 31 December 2025:

Shareholders	No. of Shares held	Approximate %
Directors		
Mr. Zhou Keming	60,000	0.005
Ms. Xu Xia ^(a)	56,000	0.004
Mr. Zou Xiaoping and his spouse	5,060,000	0.397
Mr. Zhang Feng ^(b)	2,144,000	0.168
Substantial shareholders		
Ally Good	738,435,000	57.938
China Baowu's subsidiaries	207,500,000	16.281
Public Shareholders	321,273,000	25.207
Total	1,274,528,000	100.000

Notes: ^(a) Ms. Xu Xia is a director of the Company and the spouse of Mr. Zhou Keming.

^(b) Mr. Zhang Feng is a cousin of Mr. Zhou Keming, the chairman of the Board, a Director and a substantial shareholder of the Company. Mr. Zhang is also related to Ms. Xu, as she is the wife of Mr. Zhou. Mr. Zhang resigned as a Director of the Company on 26 March 2026.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the CG Code are set out on pages 18 to 42 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2025 and considered that the Group has complied with all applicable accounting standards and requirements.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

By Order of the Board

Zhou Keming
Chairman
Hong Kong, 26 March 2026



To the Shareholders of
Da Ming International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Da Ming International Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 67 to 152, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards (“HKFRSs”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of inventories
- Deferred income tax assets

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Net realisable value of inventories</i></p> <p>Refer to Notes 4(a) and 13 to the consolidated financial statements.</p> <p>As at 31 December 2025, inventories of the Group amounting to RMB3,597,406,000 were stated at the lower of cost and net realisable value.</p> <p>Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature.</p> <p>We focused on this area due to the high degree of uncertainties associated with the volatility in the market price of steel products for which the relevant sales contracts have not yet signed and the subjectivity of significant estimation and judgment required in the determination of selling price used in the net realisable value assessment.</p>	<p>Our procedures performed in addressing this key audit matter were:</p> <ul style="list-style-type: none">• We obtained an understanding, and tested on a sample basis, of the management's internal controls and assessment process in relation to determining the net realisable value of inventories, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias or fraud.• We assessed and challenged management the assumption and estimation by checking against market trend of steel production price, historical and subsequent selling prices, and post year end margin of the Group.• We tested whether there were any slow-moving, excessive, obsolete or damaged items being omitted from management's estimation.• We compared management's prior year and current year estimations to assess whether the method for making the accounting estimate had been applied consistently.• We also evaluated the variance between subsequent selling price and management's assumption to assess the sensitivity of management assumption. <p>Based on our work performed, we found management's judgement and estimation for the net realisable value of inventories were supported by available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Deferred income tax assets</i></p> <p>Refer to Notes 4(c), 11 and 39.14 to the consolidated financial statements.</p> <p>As at 31 December 2025, deferred income tax assets of approximately RMB291,728,000 were recognised for tax losses that can be carried forward in respect of certain subsidiaries in Mainland China, to the extent that realisation of the related tax benefits through the availability of future taxable profits is probable.</p> <p>Significant judgement is required in determining the recognition of deferred income tax assets, considering whether future taxable profit will be available against which the accumulative tax losses can be utilised. Management prepared profit forecast according to the relevant years that losses can be carried forward to assess the probability of generating sufficient taxable profits in the future. The major assumptions involved were revenue growth rate and gross profit margin.</p> <p>We focused on this area due to the inherent complexity of the forecast model, and the high degree of uncertainty and subjectivity of the assumptions used and the estimations on the forecast of the availability and timing of future taxable profits.</p>	<p>Our procedures performed in addressing this key audit matter were:</p> <ul style="list-style-type: none"> • We obtained an understanding of the management's internal control and assessment process of the recognition of deferred income tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. • As part of our risk assessment in this area, we compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias and assessed the effectiveness of management's estimation process. • We evaluated and challenged management's profit forecasts of individual entities that have accumulated tax losses. Our assessment focused on certain key assumptions, such as revenue growth rates and gross profit margin, by comparing them to these entities' historical operating results and future operating plans, together with economic and industry forecasts, where appropriate. We also considered the potential impact of reasonably possible downside changes in these key assumptions. • We verified the existence and amounts of tax losses, together with their expiry dates, and the income tax rates applicable to the entities by examining the tax returns submitted by the relevant entities and reviewing the correspondences with the tax authorities. • We assessed the adequacy of the disclosures related to the recognition of deferred income tax assets in the context of HKFRSs.

Based on our work performed, we found that management's judgement and estimation for the recognition of deferred income tax assets were supported by the evidences that we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Da Ming International Holdings Limited 2025 Annual Report (the “annual report”) other than the consolidated financial statements and our auditor’s report thereon. We have obtained some of the other information including Financial and Operating Highlights and Management Discussion and Analysis prior to the date of this auditor’s report. The remaining other information, including the Chairman’s Statement, Corporate Governance Report, Directors’ Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor’s report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 YU, Lung Sun (practising certificate number: P07065).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,900,870	5,121,368
Right-of-use assets	7	515,316	521,364
Investment properties	8	1,371	1,638
Intangible assets	9	15,899	19,987
Deferred income tax assets	11	261,934	254,394
Contract assets	14	4,814	5,651
Other non-current assets	12	55,970	38,957
		<u>5,756,174</u>	<u>5,963,359</u>
Current assets			
Inventories	13	3,597,406	3,821,706
Trade receivables, notes receivables and contract assets	14	552,859	414,538
Prepayments, deposits and other receivables	15	1,051,031	1,075,670
Financial assets at fair value through other comprehensive income	16	55,887	49,762
Restricted bank deposits	17	1,306,737	1,491,549
Cash and cash equivalents	18	109,181	153,891
		<u>6,673,101</u>	<u>7,007,116</u>
Total assets		<u>12,429,275</u>	<u>12,970,475</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	19	109,041	109,041
Reserves	21	2,383,776	2,418,872
		<u>2,492,817</u>	<u>2,527,913</u>
Non-controlling interests		<u>347,711</u>	<u>336,885</u>
Total equity		<u>2,840,528</u>	<u>2,864,798</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	1,411,115	1,659,376
Deferred government grants	25	114,804	126,898
Deferred income tax liabilities	11	23,187	13,020
Lease liabilities	7	1,582	523
Long-term payables	23	30,826	28,149
		1,581,514	1,827,966
Current liabilities			
Trade payables	22	1,130,891	1,082,057
Accruals and other payables	23	450,383	513,452
Contract liabilities	5	970,287	960,491
Current income tax liabilities		31,564	35,418
Borrowings	24	5,395,576	5,652,858
Lease liabilities	7	532	3,174
Dividends payable		28,000	30,261
		8,007,233	8,277,711
Total liabilities		9,588,747	10,105,677
Total equity and liabilities		12,429,275	12,970,475

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved by the Board of Directors on 26 March 2026 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025	2024
		RMB'000	RMB'000
Revenue	5	44,193,176	46,453,309
Cost of goods sold	28	<u>(43,132,570)</u>	<u>(45,767,623)</u>
Gross profit		1,060,606	685,686
Other income	26	55,599	57,313
Other (loss)/gain – net	27	(5,340)	4,406
Net impairment losses on financial assets	3.1(b), 28	(3,645)	(16,737)
Distribution costs	28	(493,575)	(506,393)
Administrative expenses	28	<u>(357,895)</u>	<u>(420,962)</u>
Operating profit/(loss)		255,750	(196,687)
Finance income	30	50,311	44,838
Finance costs	30	<u>(262,527)</u>	<u>(286,679)</u>
Finance costs – net	30	<u>(212,216)</u>	<u>(241,841)</u>
Profit/(loss) before income tax		43,534	(438,528)
Income tax (expense)/credit	31	<u>(31,298)</u>	<u>53,389</u>
Profit/(loss) and total comprehensive income/(loss) for the year		<u>12,236</u>	<u>(385,139)</u>
Attributable to:			
Shareholders of the Company		(35,559)	(414,579)
Non-controlling interests		<u>47,795</u>	<u>29,440</u>
		<u>12,236</u>	<u>(385,139)</u>
Earnings per share for loss attributable to shareholders of the Company during the year (expressed in RMB per share)			
– Basic loss per share	32	(0.03)	(0.33)
– Diluted loss per share	32	<u>(0.03)</u>	<u>(0.33)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to shareholders of the Company		Non- controlling interests	Total equity
	Share capital (Note 19) RMB'000	Reserves (Note 21) RMB'000		
Balance at 1 January 2025	109,041	2,418,872	336,885	2,864,798
Comprehensive income (Loss)/Profit for the year	–	(35,559)	47,795	12,236
Transactions with owners				
Acquisition of non-controlling interest	–	463	(8,969)	(8,506)
Dividends	–	–	(28,000)	(28,000)
Total transactions with owners	–	463	(36,969)	(36,506)
Balance at 31 December 2025	109,041	2,383,776	347,711	2,840,528
Balance at 1 January 2024	109,041	2,833,451	338,756	3,281,248
Comprehensive income (Loss)/Profit for the year	–	(414,579)	29,440	(385,139)
Transactions with owners				
Dividends	–	–	(31,311)	(31,311)
Balance at 31 December 2024	109,041	2,418,872	336,885	2,864,798

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	770,850	704,189
Interest received		51,980	46,396
Interest paid		(266,601)	(288,547)
Income tax paid		(32,525)	(22,897)
Income tax return		3,101	321
Net cash generated from operating activities		526,805	439,462
Cash flows from investing activities			
Purchase of property, plant and equipment		(251,842)	(442,367)
Purchase of land use rights		(10,213)	–
Prepayment for land use rights		(25,000)	–
Purchase of intangible assets		(904)	(1,747)
Cash received in relation to asset-related government grants	25	942	11,349
Proceeds from disposal of property, plant and equipment	34(b)	2,896	432
Net cash used in investing activities		(284,121)	(432,333)
Cash flows from financing activities			
Proceeds from borrowings	34(c)	20,055,966	15,433,742
Repayments of borrowings	34(c)	(14,059,200)	(11,001,509)
Restricted bank deposits pledged for bank borrowings and used for repayment of borrowings	34(c)	(6,245,730)	(4,521,190)
Payments of lease liabilities	34(c)	(3,422)	(5,760)
Acquisition of non-controlling interest	10	(8,506)	–
Dividends paid to non-controlling interests in subsidiaries		(30,261)	(21,050)
Deposits for finance lease arrangement	34(c)	4,450	(3,000)
Net cash used in financing activities		(286,703)	(118,767)
Net decrease in cash and cash equivalents		(44,019)	(111,638)
Cash and cash equivalents at beginning of year	18	153,891	265,311
Exchange (loss)/gain on cash and cash equivalents		(691)	218
Cash and cash equivalents at end of year	18	109,181	153,891

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP

Da Ming International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the processing and sale of stainless steel and carbon steel products and the manufacturing of equipment and component products in the People’s Republic of China (“PRC”).

The Company was incorporated in the Cayman Islands on 14 February 2007 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 registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The ultimate parent company of the Company is Ally Good Group Limited (“Ally Good”), which is incorporated in BVI and owned by Mr. Zhou Keming and his wife, Ms. Xu Xia.

The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited since 1 December 2010.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2026.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Going concern

The Group's current liabilities exceeded its current assets by approximately RMB1,334,132,000 as at 31 December 2025, as compared to RMB1,270,595,000 as at 31 December 2024. The Group's cash and cash equivalents decreased from RMB153,891,000 as at 31 December 2024 to RMB109,181,000 as at 31 December 2025. These financial conditions may cast significant doubt upon the Group's ability to continue as a going concern.

The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the Directors of the Company have given a careful consideration to the projected needs for liquidity, operating results and the available financial sources of the Group in evaluating whether the Group will have sufficient financial resources to continue as a going concern. Management's plan has included a number of measures to mitigate the liquidity pressure and to improve the financial position and operating results:

- (i) the Group will continue to make efforts to improve its operating results and cash flows, including but not limited to increasing sales volume, improving working capital turnover by enhancing inventory level management and trade receivables collection, and controlling operating expenditures;
- (ii) the Group will continue to maintain ongoing relationships with banks and other financial institutions to secure sufficient available bank credit quota, and manage financing from bank borrowings to pursue renewal or refinancing of existing bank borrowings upon maturity;
- (iii) The Group will continue to manage its capital expenditures in line with the available funding from operating and financing activities and sufficiency of liquidity.

Having considered the above and based on a cashflow forecast prepared by the Company, the Directors of the Company believe that the Group will have adequate liquidity to fulfill its financial obligations when fall due, and to continue operations for the foreseeable future of not less than twelve months from period end date of these financial statements. The Directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing the Group's consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures

- (a) New and amended standards adopted by the Group

An amended standard became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting this standard.

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025

- (b) New standards and amendments to standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2025 and have not been early adopted by the Group in preparing these consolidated financial statements.

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
HKFRS 9 and HKFRS 7 (Amendments)	The Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 and Amendments	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKAS 21	Amendment to HKAS 21 – Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

(b) New standards and amendments to standards not yet adopted (continued)

(i) HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the income statement into the new categories will impact how operating profit is calculated and reported.

- Impact on consolidated statements of comprehensive income

Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the income statement into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:

Foreign exchange differences

Foreign exchange differences currently aggregated in the line item "other gains/(losses) – net" in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit, unless doing so would involve undue cost or effort.

The gain or loss of investments measured at fair value through profit or loss currently aggregated in the line item "other gains/(losses) – net" in operating profit and will be presented below operating profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

- (b) New standards and amendments to standards not yet adopted (continued)
- (i) HKFRS 18 Presentation and Disclosure in Financial Statements (continued)

- Impact on consolidated statements of finance position

The line items presented on the primary financial statements might change as a result of the application of the concept of ‘useful structured summary’ and the enhanced principles on aggregation and disaggregation.

- Impact on disclosures:

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for the first annual period of application of HKFRS 18, a reconciliation for each line item in the income statement between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by various departments within the Group like treasury and sales department, under policies approved by the Board of Directors. Periodic management information is summarised and reported to the directors of the Group who will review the information and take action accordingly. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group's main exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2025		31 December 2024	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	45,434	3,813	34,811	2,018
Trade receivables	33,181	20,987	48,495	10,251
Borrowings	15,277	–	18,059	–
Trade payables	74,658	26,877	49,513	6,410
Other payables	47	9,194	2,044	25,215

The Group has evaluated its foreign currency-denominated assets and liabilities and concluded that the potential impact of exchange rate movements on its current foreign exchange exposure is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) Cash flow and fair value interest rate risk

Except for restricted bank deposits and cash and cash equivalents, the Group has no interest-bearing assets.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any financial instrument to hedge its exposure to interest rate risk.

Details of the Group's restricted bank deposits, cash and cash equivalents and borrowings have been disclosed in Notes 17, 18 and 24, respectively.

As at 31 December 2025, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, the Group's profit/loss before income tax for the year would have been RMB23,407,000 lower/higher (2024: RMB28,318,000 higher/lower), mainly as a result of higher/lower interest expense on borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amounts of restricted bank deposits, cash and cash equivalents, trade receivables, notes receivables and contract assets, financial assets at fair value through other comprehensive income (FVOCI) and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk at the reporting date approximated the carrying value of the cash and cash equivalents.

(i) Credit risk of cash at bank

The Group has policies to place its cash at bank only with highly reputable financial institutions, and limit the amount of credit exposure to other financial institution. As at 31 December 2025, most of the restricted bank deposits and cash and cash equivalents are placed with highly reputable financial institutions in Mainland China and Hong Kong.

The Group categorised the restricted bank deposits and cash and cash equivalent as follows:

- Group 1 – Top 4 banks in Mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
- Group 2 – Other listed banks in Mainland China
- Group 3 – Other banks

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Group 1	320,894	552,035
Group 2	913,162	1,025,486
Group 3	181,802	67,864
	1,415,858	1,645,385

Management does not expect any losses from non-performance of these counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade receivables, notes receivables and contract assets

The Group generally requires customers to pay certain amounts of deposits when orders are made, and settle full purchase price before delivery of goods to customers. Majority of the sales transactions are settled by telegraphic transfer and bank acceptance notes. Bank acceptance notes are with maturity within six months, and are accepted and settled by bank.

For those key customers in the manufacturing sector of the Group with long-term relationship, on some occasions the Group offers credit terms up to 180 days. The granting or extension of any credit period must be appropriately approved. There is no recent history of default in relation to these customers.

The assessment of expected credit loss of trade receivables, notes receivables and contract assets of the Group is set out below:

	As at 31 December 2025			
	Less than 1 year RMB'000	Between 1 year and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade receivables, notes receivables and contract assets				
Gross carrying amount	564,710	19,022	18,261	601,993
Expected loss rate	2.42%	65.06%	99.95%	
Loss allowance	13,693	12,375	18,252	44,320

	As at 31 December 2024			
	Less than 1 year RMB'000	Between 1 year and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade receivables, notes receivables and contract assets				
Gross carrying amount	408,077	37,319	15,510	460,906
Expected loss rate	1.33%	57.71%	88.56%	
Loss allowance	5,444	21,537	13,736	40,717

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(ii) Credit risk of trade receivables, notes receivables and contract assets (continued)

Contract assets are recognised when the Group's right to consideration is conditional on something other than the passage of time.

The Group assessed that the allowance for expected credit loss of contract assets amounted to RMB490,000 as at 31 December 2025 (2024: RMB43,000). Since the allowance on contract assets was not significant to the Group, no detailed analysis of the assessment of expected credit loss is presented.

(iii) Credit risk of other receivables

Other receivables mainly comprise deposits. The Group assessed that the expected credit losses for other receivables are not material.

(iv) Credit risk of financial assets at fair value through other comprehensive income

All of the Group's financial assets at fair value through other comprehensive income are considered to have low credit risk because they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(v) Credit risk of other non-current assets

Other non-current assets mainly comprise long-term deposits. The Group assessed that the expected credit losses for other non-current assets are not material.

(c) *Liquidity risk*

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and adequate banking facilities.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate to their carrying balances, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 year and 2 years RMB'000	Between 2 years and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2025					
Borrowings	5,395,576	992,599	391,157	32,000	6,811,332
Interests payment on borrowings (i)	104,879	52,617	20,308	5,396	183,200
Lease liabilities	671	403	562	1,058	2,694
Trade payables	1,130,891	–	–	–	1,130,891
Other payables (ii)	289,258	30,826	–	–	320,084
	6,921,275	1,076,445	412,027	38,454	8,448,201
At 31 December 2024					
Borrowings	5,652,858	997,528	622,703	48,000	7,321,089
Interests payment on borrowings (i)	124,203	53,767	35,494	2,634	216,098
Lease liabilities	3,263	380	158	–	3,801
Trade payables	1,082,057	–	–	–	1,082,057
Other payables (ii)	302,567	28,149	–	–	330,716
	7,164,948	1,079,824	658,355	50,634	8,953,761

- (i) The interests on borrowings are calculated based on borrowings held as at 31 December 2025 and 2024 respectively, without taking into account any subsequent changes in the amount of borrowings. Floating-rate interest is estimated using current interest rate as at 31 December 2025 and 2024 respectively.
- (ii) Other payables include other payables and accruals as stated in Note 23 excluding non-financial liabilities such as tax and employee related obligations.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables; and financial liabilities including trade and other payables and borrowings, approximate their fair values as at the balance sheet date. The carrying values less any estimated credit adjustments for financial assets are a reasonable approximation of their fair values.

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
<i>FVOCI (Note 16)</i>				
As at December 31, 2025	–	–	55,887	55,887
Assets				
<i>FVOCI (Note 16)</i>				
As at December 31, 2024	–	–	49,762	49,762

There were no transfers between Level 1, 2 and 3 during year.

Level 3 financial assets at FVOCI comprise bank acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks. The higher the discount rates provided by main state-owned banks, the lower the fair value is.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial assets at fair value through other comprehensive income:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Fair value of financial assets at FVOCI	55,887	49,762
Inputs (probability-weighted average)	0.95%	1.30%

The unobservable input used was discount rates offered by main state-owned banks.

Increasing/decreasing the discount rates offered by main state-owned banks by 0.5% would decrease/increase the fair values of the Group's financial assets at FVOCI as at 31 December 2025 by approximately RMB279,000 (2024: RMB83,000).

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital management (continued)

The gearing ratios at 31 December 2025 and 2024 were as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Total borrowings (Note 24)	6,806,691	7,312,234
Less: cash and cash equivalents (Note 18)	(109,181)	(153,891)
Net debt	6,697,510	7,158,343
Total equity	2,840,528	2,864,798
Total capital	9,538,038	10,023,141
Gearing ratio	70.22%	71.42%

The decrease in the gearing ratio during 2025 mainly because of the decrease in debt and profit generated for the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes of stainless steel and carbon steel raw materials' market prices, technical innovations and competitors' actions in response to severe industry cycles. Management reassesses these estimates at each balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

(c) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(d) Impairment of trade receivables and contract assets

The loss allowance for trade receivables and contract assets disclosed in Note 3.1 is based on assumptions about risk of default and expected credit loss rate. The Group exercises significant judgment in weighing historical aging improvements against adverse forward-looking expectations. The final estimation of the expected credit loss rate increased as the model heavily weights potential future downside risks, incorporating key macroeconomic indicators such as China's fixed-asset investment volume, Manufacturing PMI, global GDP, and global CPI.

The carrying amounts of the Group's trade receivables, notes receivables and contract assets are disclosed in Note 14.

(e) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As stated in HKAS 36, the net asset value of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed. As at 31 December 2025, the Group's market capitalisation amounted is lower than the Group's net assets value. The Group shall assess whether its assets are impaired. This assessment requires significant judgements and estimations.

5. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The decision-maker has determined the operating segments based on these reports.

The decision-maker considers the business from a product perspective. The decision-maker assesses the performance of the operating segments based on a measure of segment profit or loss. The reportable operating segments of the Group are:

- Processing – Processing of stainless steel and carbon steel products and components, and equipment.
- Manufacturing – Manufacturing of equipment and mechanical parts.

The Group is domiciled in Mainland China. The revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue. Meanwhile, all of the Group's productions and operating assets are located in Mainland China. As a result, no geographical segment information is presented since Mainland China is considered as one geographic location with similar risks and returns.

Segment assets comprise operating assets. They exclude restricted bank deposits, cash and cash equivalents, deferred income tax assets and capitalized interests.

Segment liabilities comprise operating liabilities. They exclude borrowings and deferred income tax liabilities.

During the year ended 31 December 2025, none of the customers of the Group that individually contributed to 10% or more of the Group's revenue (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Revenue

The Group's revenue from sales to external customers in different countries and regions is as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
– Mainland China	42,919,086	44,970,767
– Hong Kong and other overseas countries and regions (i)	1,274,090	1,482,542
Total revenue	44,193,176	46,453,309

(i) Other overseas countries and regions mainly represented Australia, United States of America, South Korea, Japan, Europe, South America and Southeast Asia.

The Group's revenue from sales by segment products is as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Processing:		
Processing of metal materials	41,523,026	43,686,749
Components manufacturing	1,485,670	1,310,956
Manufacturing:		
High-end equipment manufacturing	1,184,480	1,455,604
	44,193,176	46,453,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

The segment results for the year ended 31 December 2025:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Sales to external customers	43,008,696	1,184,480	–	44,193,176
Intra-group sales	581,151	93,990	(675,141)	–
Segment revenue	<u>43,589,847</u>	<u>1,278,470</u>	<u>(675,141)</u>	<u>44,193,176</u>
Segment results	294,231	(84,122)	(4,618)	205,491
Other income				55,599
Other loss – net				(5,340)
Finance costs – net				<u>(212,216)</u>
Profit before income tax				43,534
Income tax expense				<u>(31,298)</u>
Profit for the year				<u>12,236</u>
<i>Items included in profit and loss:</i>				
Depreciation and amortisation (Notes 6, 7, 8, 9)	<u>317,069</u>	<u>146,195</u>	–	<u>463,264</u>

The segment assets and liabilities as at 31 December 2025:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	8,067,597	3,195,729	(612,877)	1,778,826	12,429,275
Segment liabilities	<u>2,104,288</u>	<u>1,264,184</u>	<u>(609,602)</u>	<u>6,829,877</u>	<u>9,588,747</u>
Additions to non-current assets	<u>171,233</u>	<u>299,987</u>	<u>(76,092)</u>	<u>(3,996)</u>	<u>391,132</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment results for the year ended 31 December 2024:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Total RMB'000
Sales to external customers	44,997,705	1,455,604	–	46,453,309
Intra-group sales	645,070	107,285	(752,355)	–
Segment revenue	<u>45,642,775</u>	<u>1,562,889</u>	<u>(752,355)</u>	<u>46,453,309</u>
Segment results	(155,770)	(91,505)	(11,131)	(258,406)
Other income				57,313
Other loss – net				4,406
Finance costs – net				<u>(241,841)</u>
Loss before income tax				(438,528)
Income tax credit				<u>53,389</u>
Loss for the year				<u>(385,139)</u>

Items included in profit and loss:

Depreciation and amortisation (Notes 6, 7, 8, 9)	<u>325,713</u>	<u>125,877</u>	<u>–</u>	<u>451,590</u>
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The segment assets and liabilities as at 31 December 2024:

	Processing RMB'000	Manufacturing RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	8,276,568	3,176,643	(493,233)	2,010,497	12,970,475
Segment liabilities	<u>2,126,610</u>	<u>1,143,600</u>	<u>(489,787)</u>	<u>7,325,254</u>	<u>10,105,677</u>
(Decrease of)/Additions to non-current assets	<u>(138,132)</u>	<u>33,310</u>	<u>(2,460)</u>	<u>5,055</u>	<u>(102,227)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Contract assets and liabilities

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current contract assets	38,876	6,316
Non-current contract assets	5,054	5,671
Loss allowance	(490)	(43)
Total contract assets (i)	43,440	11,944
Contract liabilities – advances from customers (ii)	970,287	960,491

(i) Contract assets relating to sale of goods and rendering of services are mainly related to the undue warranty receivables.

(ii) Most of the contract liabilities carried-forward from prior year is recognised as revenue during the current year.

(d) Revenue recognition accounting policies

The Group is engaged in the processing and sales of stainless steel and carbon steel products, and manufacturing of high-end equipment and components. Sales are recognised when control of the goods has transferred, which usually happens upon picking up of the goods from factory or when the goods are delivered and the customers have inspected and accepted the goods. Acceptance has occurred when the goods have been picked up or shipped to the specified location. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

A receivable is recognised when the goods are delivered, since this is the point in time when the consideration is unconditional because only the passage of time is required before the payment is due. Contract assets are recognised when the Group's right to consideration is conditional on something other than the passage of time. The Group recognises the loss provision using the expected credit loss model for its trade receivables and contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plant RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment and others RMB'000	Construction- in-progress RMB'000	Total RMB'000
At 1 January 2024						
Cost	1,875,454	4,931,158	56,808	97,400	907,322	7,868,142
Accumulated depreciation	(426,185)	(2,132,633)	(37,836)	(70,974)	–	(2,667,628)
Net book amount	<u>1,449,269</u>	<u>2,798,525</u>	<u>18,972</u>	<u>26,426</u>	<u>907,322</u>	<u>5,200,514</u>
Year ended 31 December 2024						
Opening net book amount	1,449,269	2,798,525	18,972	26,426	907,322	5,200,514
Additions	–	14,358	1,766	6,386	326,446	348,956
Transfer from construction-in-progress	205,018	522,199	15	580	(727,812)	–
Disposals (Note 34(b))	(2)	(690)	(267)	(180)	–	(1,139)
Depreciation (Note 28)	(70,495)	(343,710)	(4,297)	(8,461)	–	(426,963)
Closing net book amount	<u>1,583,790</u>	<u>2,990,682</u>	<u>16,189</u>	<u>24,751</u>	<u>505,956</u>	<u>5,121,368</u>
At 31 December 2024						
Cost	2,080,461	5,465,808	56,020	103,116	505,956	8,211,361
Accumulated depreciation	(496,671)	(2,475,126)	(39,831)	(78,365)	–	(3,089,993)
Net book amount	<u>1,583,790</u>	<u>2,990,682</u>	<u>16,189</u>	<u>24,751</u>	<u>505,956</u>	<u>5,121,368</u>
Year ended 31 December 2025						
Opening net book amount	<u>1,583,790</u>	<u>2,990,682</u>	<u>16,189</u>	<u>24,751</u>	<u>505,956</u>	<u>5,121,368</u>
Additions	14,975	7,816	2,384	3,517	196,011	224,703
Transfer from construction-in-progress	16,982	249,208	22	990	(267,202)	–
Disposals (Note 34(b))	(102)	(3,432)	(1,620)	(41)	–	(5,195)
Depreciation (Note 28)	(77,311)	(352,151)	(4,866)	(5,678)	–	(440,006)
Closing net book amount	<u>1,538,334</u>	<u>2,892,123</u>	<u>12,109</u>	<u>23,539</u>	<u>434,765</u>	<u>4,900,870</u>
At 31 December 2025						
Cost	2,112,261	5,699,904	53,243	105,773	434,765	8,405,946
Accumulated depreciation	(573,927)	(2,807,781)	(41,134)	(82,234)	–	(3,505,076)
Net book amount	<u>1,538,334</u>	<u>2,892,123</u>	<u>12,109</u>	<u>23,539</u>	<u>434,765</u>	<u>4,900,870</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain subsidiaries of the Group entered into sale and lease back agreements with finance leasing companies, whereby machineries were sold and leased back over one to three years lease term. The Group has the option to re-acquire the machineries on completion of the leases at nominated values. During such lease term and before the exercise of the completion repurchase option, such machineries are restricted under the agreements where lessor's consent must be obtained for the pledge and/or disposal of these assets. As at 31 December 2025, assets under this restriction amounted to RMB619,087,000 with original value RMB1,448,639,374 (2024: RMB525,951,000 with original value RMB795,090,362).

Taiyuan Taigang Daming Metal Technology Co., Ltd. ("Taiyuan Taigang Daming"), a subsidiary of the Group, pledged certain machineries to Taiyuan Iron & Steel (Group) Spot Sales Co., Ltd., a related party and the Group's major supplier of steel raw materials, for steels raw materials stored in the Group's warehouse to be sold to the Group on consignment basis. As at 31 December 2025, the Group's machineries under this restriction amounted to RMB110,247,000 (2024: RMB129,942,000).

A subsidiary of the Group entered into an agreement for a project loan facility with a banking syndicate in February 2021 (Note 24(a)), for the financing of the construction of production plants for the Group's manufacturing segment. As at 31 December 2025, buildings and plant with net book value of RMB135,644,000 (2024: RMB142,955,000) were pledged under this agreement. In addition, according to the terms of the agreement, the related construction in progress shall be pledged to the banks within 90 days after the construction in progress meets the mortgage conditions.

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Cost of goods sold	418,793	405,057
Distribution costs	1,265	1,385
Administrative expenses	19,948	20,521
	440,006	426,963

For the year ended 31 December 2025, general borrowing interests amounting to approximately RMB5,846,000 (2024: RMB19,174,000) were capitalised into the cost of property, plant and equipment per annum. In addition, no borrowing interests of the project loan facility were capitalised into the cost of property, plant and equipment (2024: RMB5,427,000 at an average borrowing rate of 5.46% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Construction-in-progress (the “CIP”) represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Property, plant and equipment from capital contribution are recognised initially at fair value, and are subsequently carried at depreciated cost less accumulated impairment losses, if any.

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

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

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss as of each asset to its residual value over its estimated useful life, as follows:

Buildings and plant	20-30 years
Machinery	10-20 years
Vehicles	4 to 5 years
Office equipment and others	3 to 5 years

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

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘other gain/(loss) – net’ in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. LEASES

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

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Right-of-use assets		
– Land use rights	512,876	516,151
– Properties	2,440	5,213
	515,316	521,364
Lease liabilities		
– Current	532	3,174
– Non-current	1,582	523
	2,114	3,697

A subsidiary of the Group entered into an agreement for a project loan facility with a banking syndicate in February 2021 (Note 24(a)) and a subsidiary of the Group entered into an agreement for a project loan in January 2024. As at 31 December 2025, land use rights with net book value of RMB122,565,000 (2024: RMB125,743,000) are pledged under these agreements.

Movements in right-of-use assets are analysed as follows:

	Properties	Land use rights	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2025	5,213	516,151	521,364
Additions	1,842	10,213	12,055
Depreciation charges (Note 28)	(4,615)	(13,488)	(18,103)
At 31 December 2025	2,440	512,876	515,316
At 1 January 2024	10,793	529,435	540,228
Depreciation charges (Note 28)	(5,580)	(13,284)	(18,864)
At 31 December 2024	5,213	516,151	521,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. LEASES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income

The following amounts are recognised in the consolidated statement of comprehensive income shows the following amounts relating to leases:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Depreciation charge of right-of-use assets		
– Land use rights	(13,488)	(13,284)
– Properties	(4,615)	(5,580)
	<u>(18,103)</u>	<u>(18,864)</u>
Interest expense	<u>(157)</u>	<u>(172)</u>
Expense relating to short-term leases	<u>(6,149)</u>	<u>(5,344)</u>

The total cash outflow for leases and land use rights in 2025 was RMB19,940,000 (2024: RMB11,276,000).

8. INVESTMENT PROPERTIES

The Group's investment properties are located in Mainland China and the net book value is analysed as follows:

	As at 31 December	
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Opening net book amount	1,638	1,905
Depreciation (<i>Note 28</i>)	(267)	(267)
Closing net book amount	<u>1,371</u>	<u>1,638</u>
Cost	4,055	4,055
Accumulated depreciation	(2,684)	(2,417)
Net book amount	<u>1,371</u>	<u>1,638</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. INVESTMENT PROPERTIES (CONTINUED)

For the year ended 31 December 2025, the rental income arising from investment properties amounted to approximately RMB1,042,000 (2024: RMB1,286,000) (Note 26).

As at 31 December 2025, the fair values of the investment properties were approximately RMB8,179,000 (2024: RMB8,185,000). These estimates are made by discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate.

9. INTANGIBLE ASSETS

	Computer software	
	2025 RMB'000	2024 RMB'000
At 1 January		
Cost	49,419	47,873
Accumulated amortisation	(29,432)	(23,936)
Net book amount	19,987	23,937
Opening net book amount	19,987	23,937
Additions	800	1,546
Amortisation (Note 28)	(4,888)	(5,496)
Closing net book amount	15,899	19,987
At 31 December		
Cost	50,219	49,419
Accumulated amortisation	(34,320)	(29,432)
Net book amount	15,899	19,987

For the year ended 31 December 2025, amortisation of the Group's intangible assets amounting to RMB4,888,000 (2024: RMB5,496,000) was charged to administrative expenses and cost of goods sold in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES

- (a) The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity.

Name of entity	Place, and kind of legal entity	Principal activities and place of operation	Paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Allybest Investments Limited	British Virgin, Islands limited liability company	Investment holding, in BVI	USD20,000	100	100	-	-
Fortune Express Industrial Limited	Hong Kong, limited liability company	Investment holding and trading of steel products, in Hong Kong	HKD10,000	100	100	-	-
Jiangsu Daming Industrial Technology Group Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	USD139,750,000	100	100	-	-
Hangzhou Daming Wanzhou Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	USD26,000,000	100	100	-	-
Tianjin Taigang Daming Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	USD36,500,000	91	91	9	9
Daming Metals (Hong Kong) Company Limited	Hong Kong, limited liability company	Purchase and sales of metal materials, in Hong Kong	USD2,000,000	100	100	-	-
Jiangsu Daming Precision Manufacturing Co., Ltd.	Mainland China, limited liability company	Processing, manufacturing and sales of steel products, in the PRC	RMB100,000,000	100	100	-	-
Taiyuan Taigang Daming	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	RMB500,000,000	60	60	40	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

- (a) The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity. (continued)

Name of entity	Place, and kind of legal entity	Principal activities and place of operation	Paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Daming Heavy Industry Co., Ltd. ("Daming Heavy Industry")	Mainland China, limited liability company	Processing, manufacturing and sales of steel products, in the PRC	USD212,110,000	100	100	-	-
Wuxi Daming Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	RMB50,036,300	100	100	-	-
Hubei Daming Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	RMB180,000,000	100	100	-	-
Jiangsu Daming Allybest Trading Co., Ltd.	Mainland China, limited liability company	Sales of steel products, in the PRC	RMB10,000,000	100	100	-	-
Zibo Daming Fortune Metals Technology Co., Ltd.	Mainland China, limited liability company	Distribution and sales of stainless steel products, in the PRC	RMB30,000,000	100	100	-	-
Daming Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	USD65,000,000	100	100	-	-
Daming International Import & Export Co., Ltd. ("Daming Import & Export")	Mainland China, limited liability company	Distribution and sales of steel products and fixed assets, in the PRC	RMB103,952,000	100	96.2	-	3.8
Jiangsu Daming Steel Union Logistics Co., Ltd. ("Steel Union Logistics")	Mainland China, limited liability company	Distribution service, in the PRC	RMB10,000,000	65	65	35	35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

- (a) The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity. (continued)

Name of entity	Place, and kind of legal entity	Principal activities and place of operation	Paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Daming Logistics Co., Ltd.	Mainland China, limited liability company	Cargo handling and storage at public terminals, in the PRC	RMB82,000,000	80	80	20	20
Shandong Daming Allybest Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	RMB200,000,000	100	100	-	-
Zhejiang Daming Hanwa Metal Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	USD75,000,000	90.1	90.1	9.9	9.9
Jiangsu Daming Specialty Steel Co., Ltd.	Mainland China, limited liability company	Sales of steel products, in the PRC	RMB10,000,000	100	100	-	-
Jiangsu Daming Light Industry Manufacturing Co., Ltd.	Mainland China, limited liability company	Processing, manufacturing and sales of steel products, in the PRC	RMB30,000,000	100	100	-	-
Jiangsu Daming Mechanical and Electrical Equipment Technology Co., Ltd. ("Daming Mechanical")	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC	RMB28,000,000	90	77.2	10	22.8
Tianjin Daming Import and Export Co., Ltd.	Mainland China, limited liability company	Distribution and sales of steel products and fixed assets, in the PRC	RMB30,000,000	96.2	96.2	3.8	3.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

- (a) The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity. (continued)

Name of entity	Place, and kind of legal entity	Principal activities and place of operation	Paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Jiangsu Daming Intercity Steel Union Logistics Co., Ltd. ("Intercity Logistics")	Mainland China, limited liability company	Distribution service, in the PRC	RMB5,000,000	65	65	35	35
Daming Energy Equipment (Jiangsu) Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC	-	100	100	-	-
Wuxi Daming Fortune Specialty Equipment Technical Service Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments in the PRC	RMB666,700	70	70	30	30
Jiangsu Daming Allybest Supply Chain Service Co., Ltd.	Mainland China, limited liability company	Sales of steel products, in the PRC	RMB10,000,000	100	100	-	-
Daming Europe GmbH	Germany, limited liability company	Sales of energy equipment parts and high-end manufacturing parts, in Germany	EUR80,000	100	100	-	-
Jiangsu Zhouhang Fortune Import & Export Co., Ltd.	Mainland China, limited liability company	Distribution and sales of steel products and fixed assets, in the PRC	-	96.2	96.2	3.8	3.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

- (a) The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity. (continued)

Name of entity	Place, and kind of legal entity	Principal activities and place of operation	Paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Wuxi Daming Intelligent Manufacturing Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	RMB15,000,000	100	100	-	-
Chongqing Daming Metal Technology Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments in the PRC	RMB65,000,000	100	N/A	-	N/A
Jiangsu Daming Engineering Technology Service Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments in the PRC	-	100	N/A	-	N/A

Note:

On 20 August 2025, Jiangsu Daming and Daming Heavy Industry acquired 3.8% and 12.8% equity interests in Daming Import & Export and Daming Mechanical, respectively, from a related party, Wuxi Zhongying No. 12 Investment Partnership (Limited Partnership) ("Wuxi Zhongying"), for a total consideration of approximately RMB8,506,000. The consideration has been paid in full. As a result, Jiangsu Daming's equity interest in Daming Import & Export increased from 96.2% to 100%, and Daming Heavy Industry's equity interest in Daming Mechanical increased from 77.2% to 90%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

(b) **Material non-controlling interests:**

The total comprehensive income attributable to non-controlling interests for the year ended 31 December 2025 was RMB47,795,000 (2024: RMB29,440,000), of which RMB48,629,000 (2024: RMB32,249,000) was related to the 40% non-controlling equity interest in Taiyuan Taigang Daming. The non-controlling interests in respect of other subsidiaries are not material.

Set out below is the summarised financial information of Taiyuan Taigang Daming that has material non-controlling interest to the Group.

Summarised balance sheet

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current assets	1,288,530	1,054,470
Current liabilities	1,133,946	942,727
Total current net assets	154,584	111,743
Non-current assets	392,197	431,294
Non-current liabilities	30,046	77,875
Total non-current net assets	362,151	353,419
Net assets	516,735	465,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SUBSIDIARIES (CONTINUED)

(b) **Material non-controlling interests: (continued)**

Summarised statement of comprehensive income

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Revenue	<u>6,278,173</u>	<u>6,686,548</u>
Profit before income tax	147,899	104,208
Income tax expense	<u>(26,326)</u>	<u>(23,586)</u>
Profit after tax and total comprehensive income	<u>121,573</u>	<u>80,622</u>
Total comprehensive income attributable to non-controlling interests (40%)	48,629	32,249
Dividends declared to non-controlling interests	<u>28,000</u>	<u>30,000</u>

Summarised cash flows

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	545,338	342,579
Interest received	3,099	21,166
Interest paid	(15,370)	(22,964)
Income tax paid	(23,149)	(19,748)
Income tax return	3,101	–
Net cash generated from operating activities	513,019	321,033
Net cash used in investing activities	(5,065)	(12,223)
Net cash used in financing activities	<u>(516,887)</u>	<u>(314,750)</u>
Net decrease in cash and cash equivalents	(8,933)	(5,940)
Cash and cash equivalents at beginning of year	9,287	15,227
Cash and cash equivalents at end of year	<u>354</u>	<u>9,287</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deferred income tax assets:		
– deferred income tax assets to be recovered after more than 12 months	239,576	243,269
– deferred income tax assets to be recovered within 12 months	100,655	105,629
Total deferred income tax assets	340,231	348,898
Set-off of deferred income tax liabilities	(78,297)	(94,504)
Net deferred income tax assets	261,934	254,394
Deferred income tax liabilities:		
– deferred income tax liabilities to be settled after more than 12 months	88,751	94,517
– deferred income tax liabilities to be settled within 12 months	12,733	13,007
Total deferred income tax liabilities	101,484	107,524
Set-off of deferred income tax liabilities	(78,297)	(94,504)
Net deferred income tax liabilities	23,187	13,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets before setting off with deferred income tax liabilities during the year was as follows:

	Provision for write-down of inventories RMB'000	Deferred income RMB'000	Accrued expenses RMB'000	Provision for impairment of receivables RMB'000	Unrealised gains RMB'000	Tax losses ^(a) RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	23,179	16,130	7,645	3,857	8,386	215,484	2,042	276,723
Recognised in the consolidated statement of comprehensive income	2,199	576	(1,396)	2,542	1,268	68,309	(1,323)	72,175
At 31 December 2024	25,378	16,706	6,249	6,399	9,654	283,793	719	348,898
Recognised in the consolidated statement of comprehensive income	(12,637)	(1,928)	(4,320)	530	2,009	7,935	(256)	(8,667)
At 31 December 2025	12,741	14,778	1,929	6,929	11,663	291,728	463	340,231

The movement in deferred income tax liabilities before setting off with deferred income tax assets during the year was as follows:

	Interest expenses capitalised in property, plant and equipment RMB'000	Withholding income tax ^(b) RMB'000	Accelerated tax depreciation ^(c) RMB'000	Right-of- use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	26,445	–	83,112	2,387	626	112,570
Recognised in the consolidated comprehensive income statements	1,218	–	(4,770)	(1,285)	(209)	(5,046)
At 31 December 2024	27,663	–	78,342	1,102	417	107,524
Recognised in the consolidated comprehensive income statements	(1,044)	–	(4,232)	(555)	(209)	(6,040)
At 31 December 2025	26,619	–	74,110	547	208	101,484

11. DEFERRED INCOME TAX (CONTINUED)**(a) Deferred income tax policy***Inside basis differences*

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

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Outside basis differences

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

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against and where the deferred tax balances and liabilities relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

As at 31 December 2025, accumulated losses amounting to RMB337,470,000 (2024: RMB274,822,000), RMB41,144,000 (2024: RMB41,144,000), RMB44,838,000 (2024: RMB32,165,000) can be carried forward in the next five years, in the next ten years and indefinitely, respectively. The Group did not recognise deferred income tax assets of RMB 97,949,000 (2024: RMB80,184,000) in respect of the total accumulated losses amounting to RMB423,452,000 (2024: RMB348,131,000) that can be carried forward against future taxable income, since it is not probable that the respective entities will have adequate profit to utilise the losses in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DEFERRED INCOME TAX (CONTINUED)

- (c) According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), a 10% withholding tax will be levied on the immediate holding companies established outside Mainland China when their subsidiaries in Mainland China declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

Deferred income tax liabilities are recognised for the withholding tax that would be payable on the estimate of retained earnings earned after 1 January 2018 of certain subsidiaries incorporated in Mainland China that are expected to be distributed in the foreseeable future, at the withholding income tax rate of 5% (2024: 5%). Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB861,722,000 as at 31 December 2025 (2024: RMB765,252,000) which, in the opinion of the directors, will be retained in Mainland China for development purpose and not to be distributed in the foreseeable future.

- (d) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2024] 37) issued by the State Administration of Taxation, during the period from 1 January 2025 to 31 December 2027, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use for tax filing, instead of being depreciated annually. Accordingly, deferred tax liabilities were recognised as the timing difference.

12. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Long-term deposits for issuance of notes payable	20,000	20,000
Long-term deposits for finance lease arrangement	6,650	10,500
Prepayment for purchase of land use rights	25,000	3,035
Others	4,320	5,422
	55,970	38,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INVENTORIES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	2,315,176	2,590,576
Finished goods and work-in-progress	1,282,230	1,231,130
	3,597,406	3,821,706

The cost of materials recognised as cost of goods sold amounting to approximately RMB41,776,615,000 (2024: RMB44,369,426,000) (Note 28).

The Group reversed approximately RMB57,060,000 for the previous write-down of inventories to their net realized value during the year ended 31 December 2025, while the Group made provision for inventory write-down of approximately RMB17,854,000 during the year ended 31 December 2024.

These amounts have been included in the cost of goods sold in the consolidated statement of comprehensive income.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for inventories in-transit which is determined using the specific identification method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

The Group has maintained a purchase price adjustment practice with its major suppliers for steel raw materials. Pursuant to such practice, the suppliers would reimburse the Group if the purchase price of the steel raw materials that the Group has paid is higher than the benchmark selling prices decided by the suppliers based on actual selling prices achieved by the suppliers' key customers (including the Group) after adjusting for bulk purchase discounts and processing fee. The reimbursement is subject to the suppliers' sole discretion in determining the actual purchase credit amount and the time such purchase credit would be given to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. TRADE RECEIVABLES, NOTES RECEIVABLES AND CONTRACT ASSETS

	As at 31 December 2025			As at 31 December 2024		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Contract assets	38,876	5,054	43,930	6,316	5,671	11,987
Notes receivable	44,308	–	44,308	–	–	–
Accounts receivable	513,755	–	513,755	448,919	–	448,919
	596,939	5,054	601,993	455,235	5,671	460,906
Less: provision for impairment	(44,080)	(240)	(44,320)	(40,697)	(20)	(40,717)
	552,859	4,814	557,673	414,538	5,651	420,189

The carrying amounts of trade receivables and contract assets approximated their fair value as at the balance sheet date.

As at 31 December 2025, none of bank acceptance notes were pledged as security for notes payable (2024: Nil) (Note 24).

Majority of the Group's sales are made on (i) cash on delivery, (ii) receipt of bank or commercial acceptance, and (iii) credit terms within 180 days. As at 31 December 2025, the aging analysis of trade receivables based on the date of relevant invoices was as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade receivables		
– within 30 days	351,696	243,995
– 30 days to 3 months	85,812	119,878
– 3 months to 6 months	33,517	22,595
– 6 months to 1 year	10,501	15,293
– 1 year to 2 years	13,968	31,648
– over 2 years	18,261	15,510
	513,755	448,919
Contract assets		
– within 1 year	38,876	6,316
– 1 year to 2 years	5,054	5,671
	43,930	11,987
Notes receivable		
– 3 months to 6 months	44,308	–
	601,993	460,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. TRADE RECEIVABLES, NOTES RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

As at 31 December 2025, the aging of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Provision for impairment of trade receivables		
– within 1 year	13,443	5,421
– 1 year to 2 years	12,135	21,517
– over 2 years	18,252	13,736
	<u>43,830</u>	<u>40,674</u>
Provision for impairment of contract assets		
– maturity within 1 year	250	23
– maturity from 1 year to 2 years	240	20
	<u>490</u>	<u>43</u>
	<u>44,320</u>	<u>40,717</u>

The assessment of the expected credit loss of trade receivables is set out in Note 3.1(b).

The movement of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
At 1 January	40,717	24,211
Provision for trade receivables and contract assets (<i>Note 28</i>)	3,645	16,737
Written off as uncollectible	(42)	(231)
At 31 December	<u>44,320</u>	<u>40,717</u>

The creation and reversal of provision for impaired trade receivables and contract assets have been included in the administrative expenses. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. TRADE RECEIVABLES, NOTES RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The carrying amounts of the Group's trade receivables, notes receivables and contract assets were denominated in the following currencies:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	547,825	402,160
USD	33,181	48,495
EUR	20,987	10,251
	601,993	460,906

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for purchase of raw materials	937,833	914,467
Discounted interest for notes receivable	18,817	20,912
Value-added tax recoverable	69,041	110,897
Export tax refundable	755	471
Deposits and other receivables	24,585	28,923
	1,051,031	1,075,670

The carrying amounts of deposits and other receivables approximate their fair values as at the balance sheet date.

Deposits and other receivables are mainly denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bank acceptance notes	55,887	41,287
Commercial acceptance notes	–	8,475
	<u>55,887</u>	<u>49,762</u>

17. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deposits for issuing notes payable	966,160	1,193,086
Deposits for issuing letters of credit	235,555	240,128
Deposits for bank borrowings	69,880	26,000
Deposits for purchasing property, plant and equipment under project loan facility	25,436	25,436
Deposits for issuing letters of guarantee	4,186	978
Other deposits	5,520	5,921
	<u>1,306,737</u>	<u>1,491,549</u>

The restricted bank deposits are denominated mainly in RMB.

As at 31 December 2025, the weighted average interest rate on restricted bank deposits was 1.06% (2024: 1.49%) per annum, and these deposits have an approximate average maturity of 110 days (2024: 121 days).

The restricted bank deposits are deposited with banks in Mainland China. The conversion of the RMB-denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at bank and on hand.

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	57,971	115,177
USD	45,434	34,811
EUR	3,813	2,018
HKD and JPY	1,963	1,885
	109,181	153,891

As at 31 December 2025, cash at bank included demand deposits and the weighted average interest rate was 0.10% (2024: 0.12%) per annum.

The maximum exposure to credit risk at the reporting date approximated the carrying value of the cash and cash equivalents.

The bank deposits are mainly deposited with banks in Mainland China. The conversion of the RMB-denominated balances in Mainland China into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China Government.

19. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
As at 31 December 2024 and 2025 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

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For the year ended 31 December 2025

19. SHARE CAPITAL (CONTINUED)

	Issued and fully paid up		
	Number of shares '000	HKD'000	RMB'000
Balance at 1 January 2024 and 31 December 2024 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041
Balance at 1 January 2025 and 31 December 2025 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041

20. SHARE-BASED PAYMENTS

(a) Share option schemes

On 23 December 2014, the Board granted 16,750,000 share options to a director and certain employees at an exercise price of HKD2.364 (the higher of the grant-date closing price or the 5-day average). The Group has no obligation to settle these in cash.

The options were valued at HKD1.09 each using the Binomial Model, incorporating the following key inputs:

- Expected Volatility: 48% (based on historical share prices of comparable peers).
- Expected Dividend Yield: 0.8% (based on Bloomberg projections and management's policy).
- Risk-free Interest Rate: 1.82%.

As all outstanding share options expired unexercised during the year ended 31 December 2024, there are no remaining options as of 31 December 2025.

(b) Share award schemes

Adopted on 25 August 2011, this scheme allows for share awards to selected employees. The fair value of these awards is calculated based on the market price at the grant date, adjusted for expected dividends during the vesting period, and charged to employee expenses.

Following the expiration of all outstanding share awards on 31 December 2024, the Group held zero shares under this scheme as of 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. RESERVES

	Share premium RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2024	1,073,289	48,611	320,336	14,220	1,376,995	2,833,451
Comprehensive income						
Loss for the year and total comprehensive loss	–	–	–	–	(414,579)	(414,579)
Transaction with owners						
Appropriation to statutory reserves	–	–	11,728	–	(11,728)	–
Employee share option scheme – value of employee services (<i>Note 20(a)</i>)	–	–	–	(21,383)	21,383	–
Transaction with owners	–	–	11,728	(21,383)	9,655	–
Balance at 31 December 2024	1,073,289	48,611	332,064	(7,163)	972,071	2,418,872

	Share premium RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2025	1,073,289	48,611	332,064	(7,163)	972,071	2,418,872
Comprehensive income						
Loss for the year and total comprehensive loss	–	–	–	–	(35,559)	(35,559)
Transaction with owners						
Appropriation to statutory reserves	–	–	13,185	–	(13,185)	–
Acquisition of non-controlling interest	–	463	–	–	–	463
Transaction with owners	–	463	13,185	–	(13,185)	463
Balance at 31 December 2025	1,073,289	49,074	345,249	(7,163)	923,327	2,383,776

21. RESERVES (CONTINUED)

(a) Statutory reserves

In accordance with the PRC Foreign Investment Law, its Implementing Regulations, and the PRC Company Law, and pursuant to the requirements of Circular Caizi [2025] No. 101, the PRC subsidiaries of the Group (the “PRC subsidiaries”) are required to reclassify the balances of their reserve fund and enterprise expansion fund into the statutory reserve and discretionary reserve, respectively.

Furthermore, pursuant to the aforementioned laws and regulations and their respective articles of association, the PRC subsidiaries are required to allocate 10% of their profits attributable to the respective owners – after offsetting accumulated losses of previous years as set out in their statutory financial statements – to the statutory reserve until such reserve reaches 50% of the registered capital of the respective PRC subsidiary.

These reserves shall only be used to make up for previous years’ losses or to increase the capital. The entities in the PRC may transfer their respective statutory reserves into paid-in capital, provided that the balance of the statutory reserve after such transfer is not less than 25% of the registered capital.

(b) Other reserves

Other reserves consist of shareholders’ loans waived, employee share option schemes (Note 20(a)) and shares held for Share Award Schemes (Note 20(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. TRADE PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Accounts payable	646,643	707,299
Notes payable	484,248	374,758
	1,130,891	1,082,057

The notes payable as at 31 December 2025 of RMB484,248,000 was secured by restricted bank deposits of approximately RMB149,300,000 (2024: The notes payable as at 31 December 2024 of RMB374,758,000 was secured by restricted bank deposits of approximately RMB149,472,000).

The aging analysis of trade payables based on the date of relevant invoices was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 6 months	1,089,934	972,012
6 months to 1 year	33,822	106,862
1 year to 2 years	5,271	2,883
More than 2 years	1,864	300
	1,130,891	1,082,057

Trade payables were denominated in the following currencies:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
RMB	1,029,356	1,026,134
USD	74,658	49,513
EUR	26,877	6,410
	1,130,891	1,082,057

The carrying amounts of trade payables approximated their fair values as at the balance sheet date.

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For the year ended 31 December 2025

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	161,941	162,308
Salaries payable	67,440	86,545
Value-added tax payable	32,658	37,927
Pension and other social welfare payables	24,158	55,444
Other taxes payable	36,869	30,969
Accruals and others	158,143	168,408
	481,209	541,601
Less: non-current portion of payables for purchase of property, plant and equipment	(30,826)	(28,149)
	450,383	513,452

The carrying amounts of other payables and accruals approximated their fair values as at the balance sheet date.

Accruals and other payables were denominated in the following currencies:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	471,968	514,342
EUR	9,194	25,215
USD and JPY	47	2,044
	481,209	541,601

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For the year ended 31 December 2025

24. BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-current		
Bank borrowings	1,236,031	1,583,709
Borrowing under finance lease arrangement	175,084	75,667
	<u>1,411,115</u>	<u>1,659,376</u>
Current		
Bank borrowings	5,234,659	5,568,434
Borrowing under finance lease arrangement	160,917	84,424
	<u>5,395,576</u>	<u>5,652,858</u>
Total borrowings	<u><u>6,806,691</u></u>	<u><u>7,312,234</u></u>
Representing:		
Bank borrowings		
– secured (a)	2,268,635	2,644,449
– unsecured	4,202,055	4,507,694
Finance lease arrangement (b)	336,001	160,091
	<u><u>6,806,691</u></u>	<u><u>7,312,234</u></u>

24. BORROWINGS (CONTINUED)

The Group's borrowings comprised:

- (a) The secured bank borrowings arising from discounting of notes payable and letters of credit as at 31 December 2025 amounted to RMB1,585,810,000 (2024: RMB1,834,875,000) which were secured by the pledge of restricted bank deposits amounting to RMB1,021,630,000 (2024: RMB1,278,450,000) and non-current asset amounting to RMB20,000,000 (2024: RMB20,000,000) (Note 12).

The secured bank borrowings of RMB19,400,000 (2024: RMB78,935,000) and USD6,800,000 (equivalent to RMB48,144,000) (2024: nil) were secured by the pledge of restricted bank deposits of RMB69,880,000 (2024: RMB26,000,000) (Note 17).

The secured bank borrowings also included a project loan facility with a banking syndicate obtained by a subsidiary of the Group in February 2021 and a project loan facility obtained by a subsidiary of the Group in January 2025. As at 31 December 2025, the borrowings from the project loan facilities amounted to RMB635,281,000 (2024: RMB730,639,000). The loan facilities were to finance the construction of a production plant for the manufacturing segment, and were secured by the pledge of the production plant's property, plant and equipment (Note 6) and land use rights (Note 7). The related construction in progress shall be pledged to the banks within 90 days after the construction in progress meets the mortgage conditions.

- (b) Finance lease arrangements are repayable by instalment and carry interest at 2.20% to 5.20% (2024: 4.53% to 8.27%) per annum (Note 6, 12).

Analysis of the carrying amounts of the Group's borrowings by type and currency was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
At fixed rates in RMB	4,872,095	5,508,470
At fixed rates in USD	63,073	18,059
	4,935,168	5,526,529
At floating rates in RMB	1,871,523	1,785,705
	6,806,691	7,312,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. BORROWINGS (CONTINUED)

The weighted average effective interest rates per annum at 31 December 2025 was 2.56% (2024: 2.88%) per annum.

As at 31 December, the Group's borrowings were repayable as follows:

	Bank borrowings		Borrowings under finance lease arrangement	
	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,234,659	5,568,434	160,917	84,424
Between 1 and 2 years	893,261	937,849	97,791	56,714
Between 2 and 5 years	310,770	597,860	77,293	18,953
Over 5 years	32,000	48,000	–	–
	6,470,690	7,152,143	336,001	160,091

The carrying amounts of borrowings approximate their fair values as at the balance sheet date.

25. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deferred government grants	114,804	126,898

The movement of the deferred government grants was as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Balance at 1 January	126,898	132,010
Granted during the year	942	7,796
Recognised in the consolidated statement of comprehensive income (Note 26)	(13,036)	(12,908)
Balance at 31 December	114,804	126,898

Government grants were granted to support the Group's construction of factory buildings and purchase of machineries. These amounts have been deferred and amortised over the relevant assets' expected useful lives of 10 to 30 years (2024: 10 to 30 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Sales of scraps and packaging materials	16,436	15,497
Amortisation of deferred government grants (Note 25)	13,036	12,908
Government subsidy income	12,079	18,722
Rental income from investment properties (Note 8)	1,042	1,286
Others	13,006	8,900
	55,599	57,313

27. OTHER (LOSS)/GAIN - NET

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment – net (Note 34(b))	(2,299)	(707)
Foreign exchange gain – net	59	9,854
Others	(3,100)	(4,741)
Other (loss)/gain – net	(5,340)	4,406

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28. EXPENSES BY NATURE

Expenses included in cost of goods sold, distribution costs, administrative expenses were analysed as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Changes in inventories of finished goods	(25,221)	(42,540)
Raw materials consumed	41,801,836	44,411,966
Outsourced processing cost	138,683	129,290
Stamp duty, property tax and other surcharges	73,610	76,384
Transportation costs	274,649	283,446
Employee benefit expenses, including directors' emoluments (Note 29)	1,054,148	1,108,236
Depreciation and amortisation		
– Depreciation of property, plant and equipment (Note 6)	440,006	426,963
– Depreciation of right-of-use assets (Note 7)	18,103	18,864
– Depreciation of investment properties (Note 8)	267	267
– Amortisation of intangible assets (Note 9)	4,888	5,496
Operating lease rental for buildings and equipments	6,149	5,344
Utilities charges	88,782	88,311
(Reversal)/provision for write-down of inventories (Note 13)	(57,060)	17,854
Provision for impairment of trade receivables and contract assets (Note 14)	3,645	16,737
Auditors' remuneration		
– Audit services	2,610	2,610
– Non-audit services	649	199
Entertainment and travelling expenses	58,541	48,765
Bank charges	28,623	28,457
Others	74,777	85,066
	43,987,685	46,711,715

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For the year ended 31 December 2025

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, bonus and other welfares	999,471	1,047,495
Pension – defined contribution plans (a)	54,677	60,741
	1,054,148	1,108,236

(a) Pensions – defined contribution plans

The full time employees of the Mainland China subsidiaries of the Group participate in defined contribution retirement benefit plans organised by the relevant provincial government. For the years ended 31 December 2024 and 2025, the Group is required to make monthly defined contributions to these plans at rates from 14% to 16%, with the base of their total salary subject to a certain ceiling.

The full time employees in Mainland China with length of service for no less than two years also participate in the Annuity Plan organised by the Company. The Group and its employees are required to make monthly contributions at certain percentages of the employees' earning depending on employees' ranking of position according to the profitability of the Group. The monthly contribution is 9% from the Group and 3% from the employees, which are subject to adjustment in accordance with the terms of the Annuity Plan.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

During the year ended 31 December 2025, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2024: nil), leaving none available amount at the year-end to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. FINANCE COSTS – NET

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Finance costs:		
Interest expenses on borrowings	180,042	208,105
Interest expenses on bank acceptance notes and letters of credit	88,090	97,498
Exchange loss – net	241	250
	<u>268,373</u>	<u>305,853</u>
Less: amounts capitalised on qualifying assets (<i>Note 6</i>)	(5,846)	(19,174)
Total finance costs	<u>262,527</u>	<u>286,679</u>
Finance income:		
Interest income on bank deposits	(50,311)	(44,838)
Finance costs – net	<u>212,216</u>	<u>241,841</u>

31. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Current income tax		
– Mainland China corporate income tax	28,671	23,832
Deferred income tax (<i>Note 11</i>)	2,627	(77,221)
	<u>31,298</u>	<u>(53,389)</u>

31. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and it considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5% (2024: 16.5%). Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes. All of the subsidiaries of the Group in Mainland China, except for Intercity Logistics, Steel Union Logistics and Daming Heavy Industry, are subject to corporate income tax rate of 25% (2024: 25%) for the year 2025.

As small low-profit enterprises, the annual taxable income of Intercity Logistics and Steel Union Logistics did not exceed RMB1 million, their corporate income tax shall be computed at 25% of the entities’ annual taxable income multiplied by corporate income tax rate of 20%.

Daming Heavy Industry has been accredited as a High New Tech Enterprise since 2020. According to the CIT Law for High New Tech Enterprises, it is subject to a reduced corporate income tax rate of 15% (2024: 15%) for the year ended 31 December 2025. The qualification of High New Tech Enterprises is subject to renewal for each three years interval. In 2024, Daming Heavy Industry has renewed its qualification of High New Tech Enterprises.

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31. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Reconciliation of tax expense and the accounting profit multiplied by tax rate for 2025 and 2024:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Profit/(loss) before income tax	43,534	(438,528)
Income tax calculated at tax rates applicable to profits of the respective subsidiaries	14,443	(95,209)
Expenses not deductible for tax purpose	4,408	4,903
Extra deductions from research and development expenditures	(3,987)	(1,391)
Tax losses for which no deferred income tax asset was recognised	17,765	42,125
Prior year tax filing difference and others	(1,331)	(3,817)
Income tax expense/(credit) in the statement of profit or loss	31,298	(53,389)

The Group mainly operates within Mainland China. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in Mainland China. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

The Company's subsidiaries, Fortune Express Industrial Limited and Daming Metals (Hong Kong) Company Limited, are subject to Hong Kong profits tax. Given that these two companies have no sales at the Hong Kong level, the impact on their current tax exposure is immaterial. The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2025 (2024: 16.5%).

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32. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2025	2024
Loss attributable to shareholders of the Company (RMB'000)	<u>(35,559)</u>	<u>(414,579)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,274,528</u>	<u>1,274,528</u>
Basic loss per share (RMB per share)	<u>(0.03)</u>	<u>(0.33)</u>

(b) Diluted

As the Group incurred loss for the year ended 31 December 2025 and 2024, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2025 and 2024 is the same as basic loss per share for the year.

33. DIVIDENDS

The directors did not recommend payment of an interim or final dividend in respect of the year ended 31 December 2025 (2024: nil).

No dividend was paid in the year ended 31 December 2025 (2024: nil).

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For the year ended 31 December 2025

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Profit/(loss) before income tax	43,534	(438,528)
Adjustments for:		
– depreciation and amortisation (<i>Note 28</i>)	463,264	451,590
– amortisation of deferred income (<i>Note 25</i>)	(13,036)	(12,908)
– losses on disposal of property, plant and equipment (<i>Note 27</i>)	2,299	707
– provision for impairment of trade receivables and contract assets (<i>Note 14</i>)	3,645	16,737
– provision for write-down of inventories (<i>Note 13</i>)	(57,060)	17,854
– interest income (<i>Note 30</i>)	(50,311)	(44,838)
– finance costs (<i>Note 30</i>)	263,218	286,461
	655,553	277,075
Changes in working capital:		
– increase in restricted bank deposits	(72,008)	(148,296)
– (increase)/decrease in trade receivables and contract assets, prepayments, deposits and other receivables	(165,031)	196,083
– increase in contract liabilities	9,796	14,094
– decrease in inventories	281,360	113,198
– increase in trade payables, accruals and other payables	61,180	252,035
Cash generated from operations	770,850	704,189

(b) Proceeds from disposal of property, plant and equipment:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Net book amount (<i>Note 6</i>)	5,195	1,139
Losses on disposal of property, plant and equipment (<i>Note 27</i>)	(2,299)	(707)
Proceeds from disposal of property, plant and equipment	2,896	432

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34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Net debt reconciliation

	Liabilities from financing activities		Other assets		Total RMB'000
	Borrowings RMB'000	Lease liabilities RMB'000	Restricted bank deposits RMB'000	Other non-current assets RMB'000	
As at 1 January 2024	7,358,725	9,457	(1,261,671)	(27,500)	6,079,011
Cash flows					
Deposits for purchasing property, plant and equipment under project loan facility					
– proceeds from borrowings	15,433,742	–	–	–	15,433,742
– repayment of borrowings	(11,021,509)	–	–	20,000	(11,001,509)
– restricted bank deposits used for repayment of borrowings	(4,458,974)	–	4,458,974	–	–
– restricted bank deposits pledged for bank borrowings	–	–	(4,501,190)	(20,000)	(4,521,190)
– deposits for finance lease arrangement	–	–	–	(3,000)	(3,000)
– payment for leases	–	(5,760)	–	–	(5,760)
Non-cash changes					
– currency translations	250	–	–	–	250
As at 31 December 2024	<u>7,312,234</u>	<u>3,697</u>	<u>(1,303,887)</u>	<u>(30,500)</u>	<u>5,981,544</u>
As at 1 January 2025	<u>7,312,234</u>	<u>3,697</u>	<u>(1,303,887)</u>	<u>(30,500)</u>	<u>5,981,544</u>
Cash flows					
Deposits for purchasing property, plant and equipment under project loan facility					
– proceeds from borrowings	20,055,966	–	–	–	20,055,966
– repayment of borrowings	(14,059,200)	–	–	–	(14,059,200)
– restricted bank deposits pledged for bank borrowings	–	–	(6,245,730)	–	(6,245,730)
– payment for leases	–	(3,422)	–	–	(3,422)
– collection from lease deposits	–	–	–	4,450	4,450
Non-cash changes					
– restricted bank deposits used for repayment of borrowings	(6,502,550)	–	6,502,550	–	–
– acquisition of leases	–	1,839	–	–	1,839
– currency translations	241	–	–	–	241
As at 31 December 2025	<u>6,806,691</u>	<u>2,114</u>	<u>(1,047,067)</u>	<u>(26,050)</u>	<u>5,735,688</u>

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35. CONTINGENCY

Contingent liability

As at 31 December 2025, there was one outstanding litigation claim against a subsidiary of the Group. According to the legal adviser for the claim, the basis for the alleged damages is unsubstantiated. The Company expects that the potential liability, legal fees and other costs and interest are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the consolidated financial statements of the Group.

36. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred was as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	200,512	139,630

37. RELATED PARTY TRANSACTIONS

(a) Related parties

The directors are of the view that the following companies and persons are related parties that have transactions or balances with the Group during the year ended 31 December 2025:

Name	Relationship with the Group
Ally Good	Ultimate parent company of the Group, beneficially owned by Mr. Zhou Keming and Ms. Xu Xia
Mr. Zhou Keming	Chairman of the Company and the Group
Ms. Xu Xia	Wife of Mr. Zhou Keming and a director of the Company
Wuxi Daming Logistics Co., Ltd. ("Daming Logistics")	The controlling shareholders are Mr. Zhou Keming and Ms. Xu Xia
China Baowu Steel Group Company Limited and its subsidiaries ("China Baowu")	A shareholder of the Company
Wuxi Zhongying	Minority shareholder of a subsidiary of the Group

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For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

In addition to the related party transactions disclosed elsewhere in these financial statements, the Group had the following material transactions with its related parties:

		Year ended 31 December	
		2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
(i)	Loans from a related party		
	<i>Continuing connected transactions</i>		
	China Baowu		
	– Loans from	–	580,000
	– Repayments to	–	(670,000)
		–	–
Loans from China Baowu constituted continuing connected transaction as defined in Chapter 14A of the Main Board Listing Rules. This transaction is fully exempt from the disclosure requirements in Chapter 14A of the Main Board Listings Rules as the transaction is on normal commercial terms or better and no security over the assets of the Company is granted in respect of such financial assistance.			
(ii)	Purchase of steel from a related party		
	<i>Continuing connected transactions</i>		
	China Baowu	15,983,947	16,933,477
		15,983,947	16,933,477
(iii)	Sales of processed metallic goods and processing services by the Group to a related party		
	<i>Continuing connected transactions</i>		
	China Baowu	119,786	120,276
		119,786	120,276
(iv)	Acquisition of equity interests		
	Wuxi Zhongying	8,506	–
		8,506	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with a related party

In addition to the related party balances disclosed elsewhere in these financial statements, the Group had the following balances with its related parties:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
China Baowu		
Due from:		
(i) Trade receivables		
– Receivables for providing goods and services	2,766	4,732
(ii) Prepayments		
– Prepayments for purchase of steel	157,086	205,362
Due to:		
(iii) Advance receipts from customers		
– Advance receipts from customers for sales of steel	276	23
(iv) Trade payables		
– Payables for purchase of steel	1,577	4,581

The transactions with related parties were conducted based on terms mutually agreed with related parties.

(d) Key management compensation

Key management includes directors and top managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonus and other welfares	10,592	13,612
Pension – defined contribution plans	145	252
	10,737	13,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	942,656	942,656
Due from subsidiaries	1,046,364	1,093,741
	<u>1,989,020</u>	<u>2,036,397</u>
Current assets		
Prepayment, deposits and other receivables	42,851	191
Cash and cash equivalents	592	165
	<u>43,443</u>	<u>356</u>
Total assets	<u>2,032,463</u>	<u>2,036,753</u>
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	109,041	109,041
Reserves (<i>Note (a)</i>)	1,923,188	1,927,556
Total equity	<u>2,032,229</u>	<u>2,036,597</u>
LIABILITIES		
Current liabilities		
Accruals and other payables	234	156
Total liabilities	<u>234</u>	<u>156</u>
Total equity and liabilities	<u>2,032,463</u>	<u>2,036,753</u>

The balance sheet of the Company was approved by the Board of Directors on 26 March 2026 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus ⁽ⁱ⁾ RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2025	1,077,188	921,264	(35,024)	(35,872)	1,927,556
Comprehensive loss					
Loss for the year and total comprehensive loss	–	–	–	(4,368)	(4,368)
Balance at 31 December 2025	<u>1,077,188</u>	<u>921,264</u>	<u>(35,024)</u>	<u>(40,240)</u>	<u>1,923,188</u>
Balance at 1 January 2024	1,077,188	921,264	(13,641)	(73,374)	1,911,437
Comprehensive income					
Profit for the year and total comprehensive income	–	–	–	16,119	16,119
Transaction with owners					
Employee share option scheme – value of employee services (<i>Note 20(a)</i>)	–	–	(21,383)	21,383	–
Balance at 31 December 2024	<u>1,077,188</u>	<u>921,264</u>	<u>(35,024)</u>	<u>(35,872)</u>	<u>1,927,556</u>

(i) *Contributed surplus*

Contributed surplus arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with a reorganisation of the Group prior to the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired.

Contributed surplus is distributable to shareholders of the Company according to Companies Law of the Cayman Islands subject to solvency test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2025:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Pension – defined contribution plans RMB'000	Other benefits RMB'000	Total RMB'000
<i>Executive directors</i>						
– Mr. Zhou Keming	329	984	–	23	21	1,357
– Ms. Xu Xia	329	823	69	–	–	1,221
– Mr. Zou Xiaoping	329	924	–	29	3	1,285
– Mr. Zhang Feng	329	960	200	23	20	1,532
– Mr. Liang Zongren	329	984	–	24	20	1,357
– Mr. Chen Ning	329	916	–	29	15	1,289
	<u>1,974</u>	<u>5,591</u>	<u>269</u>	<u>128</u>	<u>79</u>	<u>8,041</u>
<i>Non-executive directors</i>						
– Mr. Lu Jian	–	–	–	–	–	–
– Mr. Lu Gang	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Independent non-executive directors</i>						
– Mr. Cheuk Wa Pang	329	–	–	–	–	329
– Mr. Hu Xuefa	329	–	–	–	–	329
– Mr. Chen Xin	329	–	–	–	–	329
– Mr. Wang Liuqi	329	–	–	–	–	329
	<u>1,316</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,316</u>
	<u>3,290</u>	<u>5,591</u>	<u>269</u>	<u>128</u>	<u>79</u>	<u>9,357</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2024

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Pension – defined contribution plans RMB'000	Other benefits RMB'000	Total RMB'000
<i>Executive directors</i>						
– Mr. Zhou Keming	330	888	80	23	16	1,337
– Ms. Xu Xia	330	893	80	16	–	1,319
– Mr. Zou Xiaoping	330	810	–	74	16	1,230
– Mr. Zhang Feng	330	966	178	24	16	1,514
– Mr. Liang Zongren (i)	179	978	180	24	16	1,377
– Mr. Chen Ning (i)	179	830	75	29	8	1,121
– Mr. Ni Chen (ii)	330	711	860	22	16	1,939
– Mr. Qian Li (ii)	330	779	81	23	16	1,229
	2,338	6,855	1,534	235	104	11,066
<i>Non-executive directors</i>						
– Mr. Lu Jian	–	–	–	–	–	–
– Mr. Lu Gang (ii)	–	–	–	–	–	–
– Mr. Zhu Baomin (ii)	–	–	–	–	–	–
	–	–	–	–	–	–
<i>Independent non-executive directors</i>						
– Mr. Cheuk Wa Pang	330	–	–	–	–	330
– Prof. Hua Min	330	–	–	–	–	330
– Mr. Lu Daming (i)	330	–	–	–	–	330
– Mr. Hu Xuefa	179	–	–	–	–	179
– Mr. Chen Xin	330	–	–	–	–	330
	1,499	–	–	–	–	1,499
	3,837	6,855	1,534	235	104	12,565

(i) Pursuant to a board resolution dated 11 June 2024 and with effect from 12 June 2024, Mr. Liang Zongren and Mr. Chen Ning were appointed as executive directors of the Company, Mr. Wang Liuqi was appointed as an independent non-executive director of the Company.

(ii) Pursuant to a board resolution dated 20 December 2024 and with immediate effect, Mr. Qian Li and Mr. Ni Chen resigned as the executive directors of the Company, Mr. Zhu Baomin resigned as a non-executive director of the Company, Prof. Hua Min resigned as an independent non-executive director of the Company, Mr. Lu Gang was appointed as a non-executive director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2024: five) directors whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments payable to the remaining individual during 2025 are as follows:

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries, housing allowances, pension and other social welfare	1,836	–

The emoluments fell within the following bands:

	Year ended 31 December	
	2025	2024
	Number of individuals	
Emolument bands HK\$2,000,001 – HK\$2,500,000	1	–

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

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

40.1 Subsidiaries

40.1.1 Consolidation

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

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

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

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- the fair values of the assets transferred
- the liabilities incurred to the former owners of the acquired business
- the equity interests issued by the group
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

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

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.1 Subsidiaries (continued)

40.1.2 Separate financial statements

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

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

40.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

40.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.3 Foreign currency translation (continued)

(c) *Group companies*

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

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

40.4 Investment properties

The investment property, comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is calculated using the straight-line method to allocate cost to its residual value over its estimated useful lives of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial periods in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.5 Intangible assets

Intangible assets mainly comprise computer software purchased, which are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised using straight-line method over their estimated useful lives of 10 years.

40.6 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.6 Financial assets (continued)

(c) *Measurement*

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

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

Debt instruments

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

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

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.6 Financial assets (continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, notes receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 14 for further details.

40.7 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

40.8 Share capital

Ordinary shares are classified as equity.

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

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

40.9 Trade and other payables

Trade and other payables are obligations to pay for goods, services and long-term assets that have been acquired in the ordinary course of business from suppliers, or to pay for accrued salaries, pension and other social welfare. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.10 Borrowings

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

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

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

40.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that 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, until such time as the asset is substantially ready for its intended use or sale.

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

All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

Under the terms of the bank loans, the Group is required to comply with certain financial covenants. The Group has complied with these covenants throughout the reporting period. There are no indications that the Group would have difficulties complying with the covenants.

**40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES
(CONTINUED)****40.12 Share-based payments***(a) Equity-settled share-based payment transactions*

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

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting and service conditions. The Group recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

The Group also has a Share Award Scheme where from time to time, the independent trustee may purchase shares from the market and award shares to grantee. When the independent trustee purchases shares of the Company on the market under the scheme, the consideration paid including any directly attributable incremental costs is presented as shares held for Share Award Scheme in the consolidated statement of changes in equity and deducted from total equity. When the independent trustee transfers the Company's shares to the grantees upon vesting, the related costs of the awarded shares vested are credited to shares held for Share Award Scheme, with a corresponding adjustment to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.12 Share-based payments (continued)

(b) *Share-based payment transactions among Group entities*

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

40.13 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

40.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.15 Other income

(a) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the period of the lease.

(b) *Interest income*

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

40.16 Dividend distribution

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

40.17 Leases

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.17 Leases (continued)

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

40. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

40.17 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 27). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	44,193,176	46,453,309	50,560,063	50,122,319	46,345,417
Gross profit	1,060,606	685,686	921,534	908,633	1,827,209
Operating profit/(loss)	255,750	(196,687)	29,563	38,933	961,233
Profit/(loss) for the year	12,236	(385,139)	(190,493)	(158,833)	527,567
Attributable to:					
Shareholders of the Company	(35,559)	(414,579)	(219,068)	(178,302)	495,044
Non-controlling interests	47,795	29,440	28,575	19,469	32,523
	12,236	(385,139)	(190,493)	(158,833)	527,567
ASSETS, LIABILITIES AND EQUITY					
Total assets	12,429,275	12,970,475	13,188,882	12,778,027	11,958,434
Total liabilities	(9,588,747)	(10,105,677)	(9,907,634)	(9,273,342)	(8,209,041)
	2,840,528	2,864,798	3,281,248	3,504,685	3,749,393
Equity attributable to shareholders					
of the Company	2,492,817	2,527,913	2,942,492	3,165,459	3,409,111
Non-controlling interests	347,711	336,885	338,756	339,226	340,282
Total equity	2,840,528	2,864,798	3,281,248	3,504,685	3,749,393