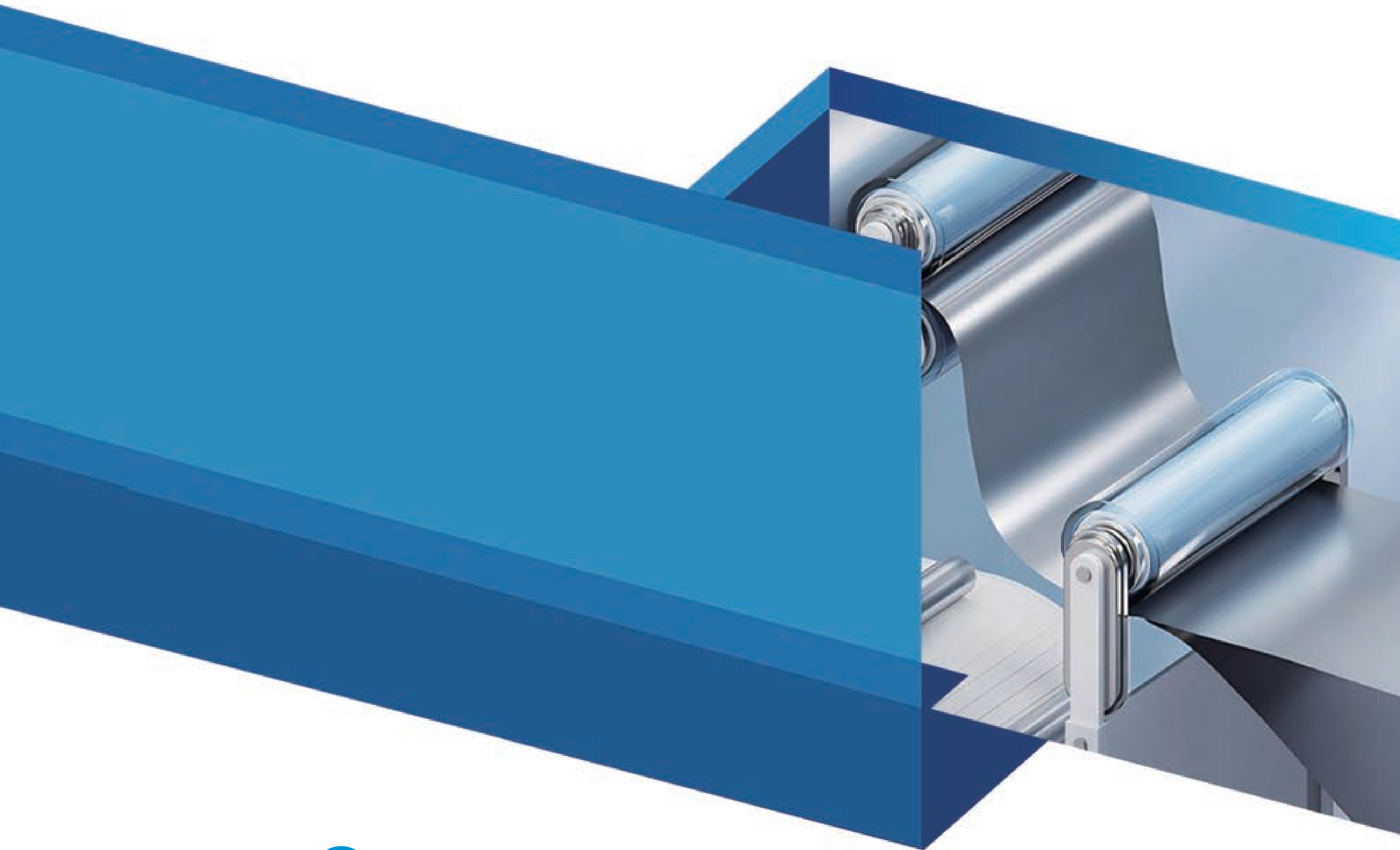
2024
Annual Report
Stock Code: 1090

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
Mr. Qian Li *(resigned on 20 December 2024)*
Mr. Ni Chen *(resigned on 20 December 2024)*
Mr. Liang Zongren *(appointed on 12 June 2024)*
Mr. Chen Ning *(appointed on 12 June 2024)*

Non-executive Directors

Mr. Lu Jian
Mr. Zhu Baomin *(resigned on 20 December 2024)*
Mr. Lu Gang *(appointed on 20 December 2024)*

Independent Non-executive Directors

Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Zou Xiaoping
Mr. Leung Man Fai

AUDIT COMMITTEE

Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*

REMUNERATION COMMITTEE

Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*
Mr. Zou Xiaoping

NOMINATION COMMITTEE

Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*
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

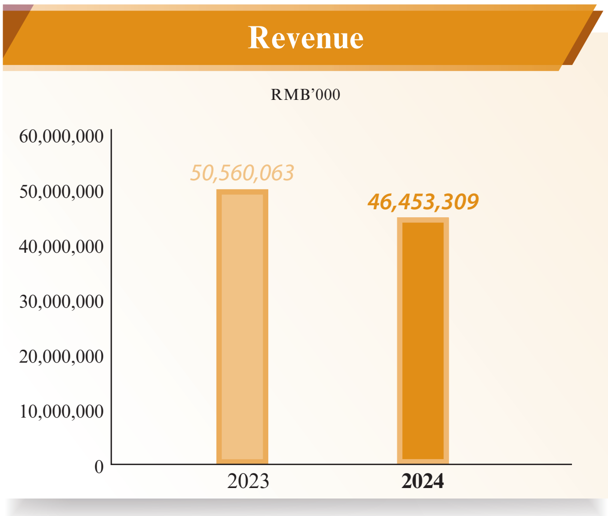
STOCK CODE

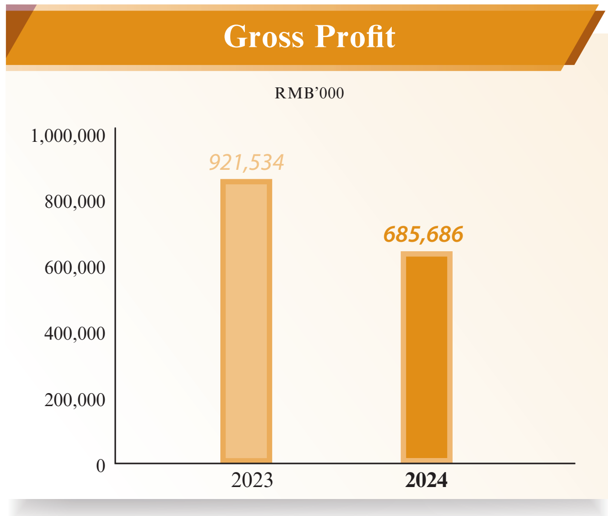
SEHK: 1090

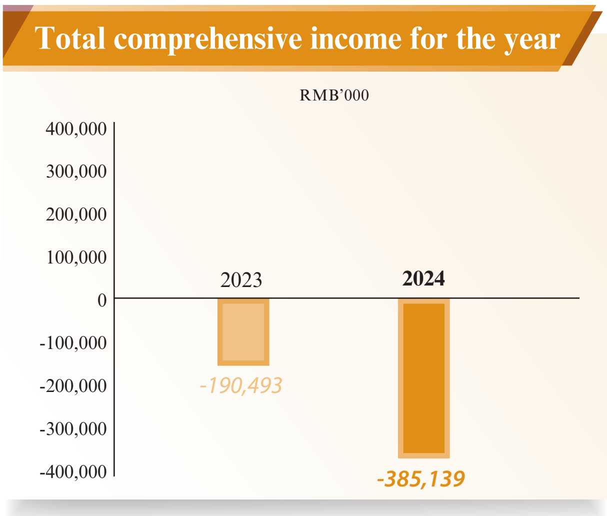
WEBSITE

http://www.dmssc.net

	Year ended 31 December		
	2024	2023	
	RMB'000	*RMB'000*	% change
FINANCIAL HIGHLIGHTS			
Revenue	**46,453,309**	50,560,063	-8.1%
Gross profit	**685,686**	921,534	-25.6%
Loss and total comprehensive loss for the year	**(385,139)**	(190,493)	+102.2%



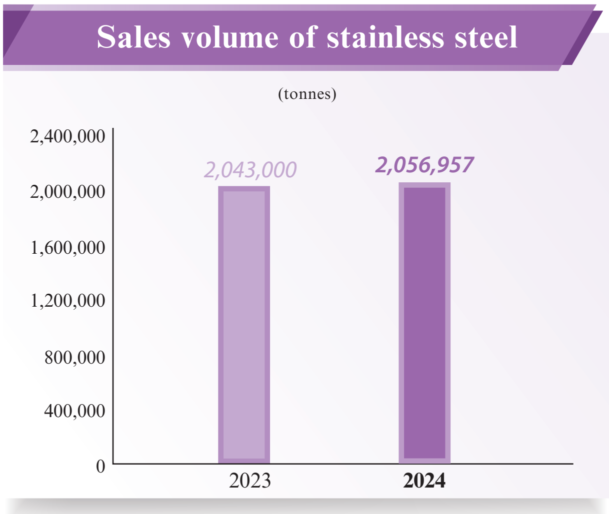


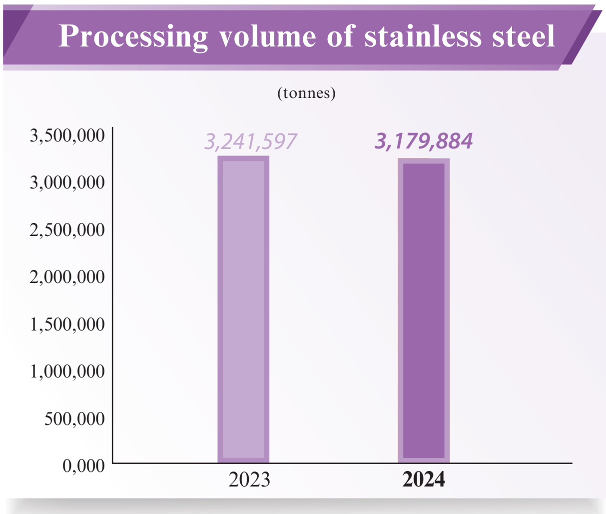


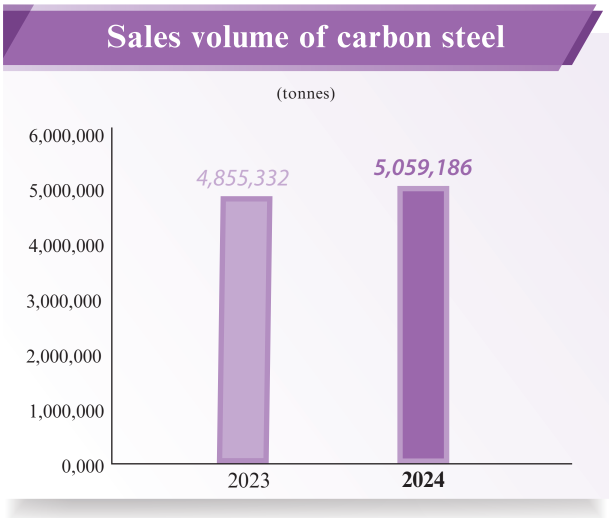
FINANCIAL AND OPERATING HIGHLIGHTS

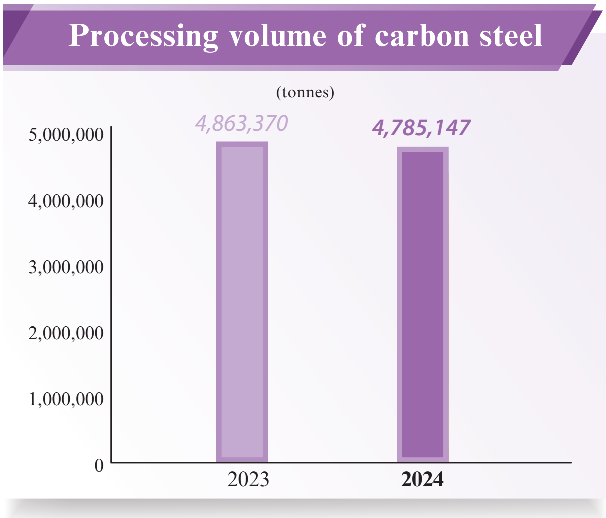
	Year ended 31 December		
	2024	2023	% change
OPERATING HIGHLIGHTS			
Stainless steel			
Sales volume (tonnes)	**2,056,957**	2,043,000	+0.7%
Processing volume (tonnes)	**3,179,884**	3,241,597	-1.9%
Processing multiple *(note)*	**1.55**	1.59	
Carbon steel			
Sales volume (tonnes)	**5,059,186**	4,855,332	+4.2%
Processing volume (tonnes)	**4,785,147**	4,863,370	-1.6%
Processing multiple *(note)*	**0.95**	1.00	

Note: Processing multiple = Processing volume/Sales volume









The sales volume and processing volume of our processing centres for the year ended 31 December 2024 and the corresponding period in 2023 are as follows:

Stainless steel	Year ended 31 December 2024 *tonnes*	2023 *tonnes*	*% change*
Sales volume			
Wuxi	**726,232**	754,747	-3.8%
Wuhan	**112,426**	98,386	+14.3%
Hangzhou	**247,190**	257,097	-3.9%
Tianjin	**249,432**	271,104	-8.0%
Taiyuan	**200,417**	171,215	+17.1%
Jingjiang	**167,762**	164,265	+2.1%
Shandong	**172,678**	153,515	+12.5%
Qianzhou	**93,006**	72,887	+27.6%
Jiaxing	**87,814**	99,784	-12.0%
Total	**2,056,957**	2,043,000	+0.7%
Processing volume			
Wuxi	**1,360,614**	1,374,473	-1.0%
Wuhan	**133,330**	126,817	+5.1%
Hangzhou	**310,785**	326,871	-4.9%
Tianjin	**253,690**	272,153	-6.8%
Taiyuan	**545,793**	566,125	-3.6%
Jingjiang	**282,900**	316,907	-10.7%
Shandong	**152,767**	151,332	+0.9%
Jiaxing	**140,005**	106,919	+30.9%
Total	**3,179,884**	3,241,597	-1.9%

Carbon steel	Year ended 31 December 2024 *tonnes*	2023 *tonnes*	*% change*
Sales volume			
Wuxi	**7,382**	5,530	+33.5%
Wuhan	**650,783**	658,265	-1.1%
Hangzhou	**121,405**	190,566	-36.3%
Tianjin	**604,765**	667,686	-9.4%
Taiyuan	**358,744**	356,193	+0.7%
Jingjiang	**963,001**	960,122	+0.3%
Qianzhou	**879,457**	828,544	+6.1%
Shandong	**655,736**	590,661	+11.0%
Jiaxing	**817,913**	597,765	+36.8%
	5,059,186	4,855,332	+4.2%
Processing volume			
Wuxi	**4,945**	4,752	+4.1%
Wuhan	**662,069**	734,094	-9.8%
Hangzhou	**70,956**	25,640	+176.7%
Tianjin	**506,619**	590,922	-14.3%
Taiyuan	**365,489**	344,884	+6.0%
Jingjiang	**1,080,817**	1,178,842	-8.3%
Qianzhou	**750,279**	684,816	+9.6%
Shandong	**576,304**	561,789	+2.6%
Jiaxing	**767,669**	737,631	+4.1%
	4,785,147	4,863,370	-1.6%

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 2024.

BUSINESS REVIEW

We are a leading provider of metal materials and components processing and high-end equipment manufacturing services. Through our ten 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 cyclicality 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.

Business highlights

1. ***The Condenser Equipment Manufactured By Daming Heavy Industry For A World-Renowned Engineering Company Was Successfully Shipped To Spain***

   The condenser equipment of Daming Heavy Industry Process Equipment Branch, which serves the world-renowned engineering company, has been successfully completed and will be shipped to Spain, which demonstrates Daming's excellent competitiveness in the field of condenser manufacturing.

2. ***Daming Heavy Industry Chemical Equipment Export Project Shipment***

   The projects for producing methanol by natural gas undertaken by Daming Heavy Industry for world-renowned enterprise was shipped at the Daming Yangtze River Terminal.

3. ***The Global Large-scale Mining Projects Served By Daming Heavy Industry Was Successfully Shipped***

The large-scale thickener project of Metso's South American customer, which Daming Heavy Industry successfully serviced, was shipped at the Yangtze River Terminal.

4. ***Daming Heavy Industry Helped Australian Mining Project Set Sail***

Daming Heavy Industry successfully shipped a batch of 19m thickener pool body and bridge frame parts to Australia, which became another successful case of serving foreign mining projects.

Strategic Cooperation

1. ***Shagang Group And Da Ming International Investment Intention Signing***

   On 15 October 2024, Da Ming International and Shagang Group signed an investment intention agreement. It marks that both parties will expand the scope and depth of cooperation at the level of production, marketing, research and supply chain, and at the same time, they will also work together to realize close cooperation at the capital level through multiple platforms, which will better strengthen the supply chain, boost cooperation to a new level, realize synergistic development, and work together to provide better services for the downstream.

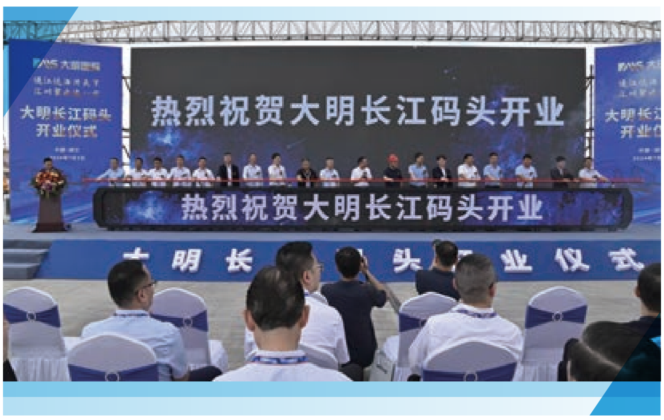
2. ***Da Ming International Gathered In Chongqing To Sign A Tripartite Joint Venture Cooperation Memorandum For Steel Fabrication***

   On 11 December 2024, Da Ming International, Chongqing Iron & Steel and Changshou District Government signed a memorandum of understanding on a tripartite joint venture for steel fabrication in Chongqing. The joint establishment of a processing base in Chongqing by the three parties will surely bring the advantages of deepening cooperation, optimizing the governance structure and improving competitiveness, and will further improve Daming's service network, facilitating the provision of high-quality and efficient services to customers in the southwest region.

3. ***Daming Heavy Industry Signs A Tripartite Strategic Cooperation Agreement With CRRC And Anemoi Marine***

In December 2024, Daming Heavy Industry signed a tripartite strategic cooperation agreement with CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute and Anemoi Marine Technology. Daming Heavy Industry will work with the two companies through the combination of strength, complementary advantages, hand in hand, synergistic development, and jointly build the future clean energy market segment - flettner rotors products the strongest supply system combination.

4. ***Daming Yangtze River Terminal In Commission Officially***



The opening ceremony of Daming Yangtze River Terminal was held in Daming Jingjiang Manufacturing Base, as another milestone event in Daming's history of 36-year development, which is of great significance in enhancing the capability of Daming's high-end manufacturing integrated services, realising the business overseas, and achieving leapfrog development.

Operating results

The Group recorded a net loss of approximately RMB385.1 million for the year ended 31 December 2024 representing an increase of approximately 102.2% as compared with the net loss of approximately RMB190.5 million for the year ended 31 December 2023.

The annual sales volume of our stainless steel processing business increased from approximately 2,043,000 tonnes for the year ended 31 December 2023 to approximately 2,057,000 tonnes for the year ended 31 December 2024 representing an increase of approximately 0.7% while the processing volume decreased from approximately 3,242,000 tonnes for the year ended 31 December 2023 to approximately 3,180,000 tonnes for the year ended 31 December 2024 representing a decrease of approximately 1.9%.

The annual sales volume of our carbon steel processing business increased from approximately 4,855,000 tonnes for the year ended 31 December 2023 to approximately 5,059,000 tonnes for the year ended 31 December 2024 representing an increase of approximately 4.2% while the annual processing volume decreased from approximately 4,863,000 tonnes for the year ended 31 December 2023 to approximately 4,785,000 tonnes for the year ended 31 December 2024 representing a decrease of approximately 1.6%.

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

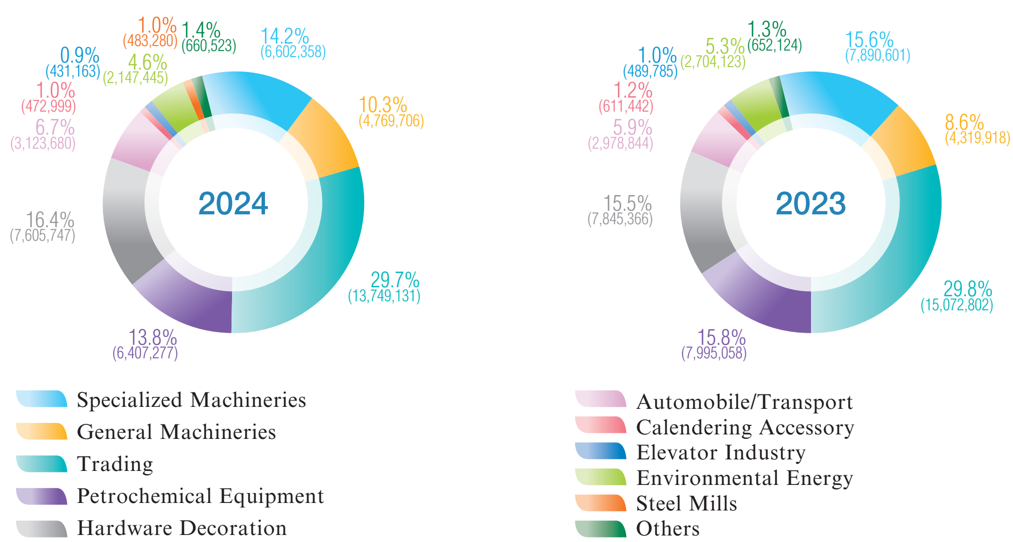
During the year under review, we recorded a revenue of approximately RMB46,453 million, gross profit of approximately RMB686 million and the loss attributable to shareholders of the Company of approximately RMB415 million. Total assets of the Group as at 31 December 2024 amounted to approximately RMB12,970 million while equity attributable to shareholders of the Company amounted to approximately RMB2,528 million.

Analysis of revenue by key industry segments

During the years ended 31 December 2024 and 2023, our revenue by key industry segments are shown below:

	Revenue For the year ended 31 December			
	2024		2023	
Industry	***RMB'000***	***%***	*RMB'000*	*%*
Specialized Machineries	**6,602,358**	**14.2**	7,890,601	15.6
General Machineries	**4,769,706**	**10.3**	4,319,918	8.6
Trading	**13,749,131**	**29.7**	15,072,802	29.8
Petrochemical Equipment	**6,407,277**	**13.8**	7,995,058	15.8
Hardware Decoration	**7,605,747**	**16.4**	7,845,366	15.5
Automobile/Transport	**3,123,680**	**6.7**	2,978,844	5.9
Calendering Accessory	**472,999**	**1.0**	611,442	1.2
Elevator Industry	**431,163**	**0.9**	489,785	1.0
Environmental Energy	**2,147,445**	**4.6**	2,704,123	5.3
Steel Mills	**483,280**	**1.0**	–	–
Others	**660,523**	**1.4**	652,124	1.3
Total	**46,453,309**	**100.0**	50,560,063	100.0

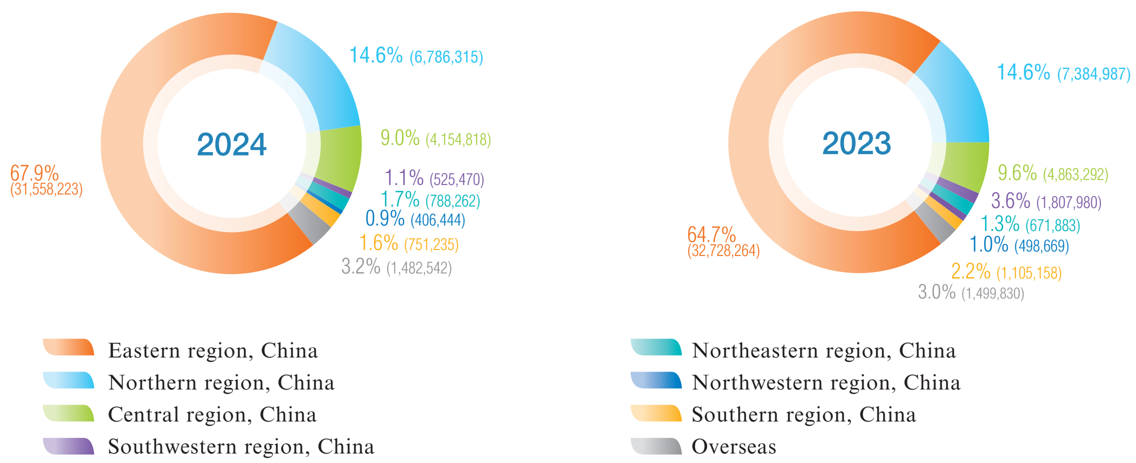
RMB'000



Analysis of revenue by geographic regions

	Revenue			
	For the year ended 31 December			
	2024		2023	
Region	***RMB'000***	*%*	*RMB'000*	*%*
Eastern region, China	**31,558,223**	**67.9**	32,728,264	64.7
Northern region, China	**6,786,315**	**14.6**	7,384,987	14.6
Central region, China	**4,154,818**	**9.0**	4,863,292	9.6
Southwestern region, China	**525,470**	**1.1**	1,807,980	3.6
Northeastern region, China	**788,262**	**1.7**	671,883	1.3
Northwestern region, China	**406,444**	**0.9**	498,669	1.0
Southern region, China	**751,235**	**1.6**	1,105,158	2.2
Overseas	**1,482,542**	**3.2**	1,499,830	3.0
	46,453,309	**100.0**	50,560,063	100.0

RMB'000



Revenue

Our revenue for the year ended 31 December 2024 amounted to approximately RMB46,453 million comprising approximately RMB43,687 million from processing of metal materials, approximately RMB1,455 million from high-end equipment manufacturing and approximately RMB1,311 million from components manufacturing. As compared with the revenue for the year ended 31 December 2023 of approximately RMB50,560 million, it represented a decrease of approximately 8.1%. Such decrease was mainly due to the decrease in the average market price of metal materials in 2024.

Gross profit

Gross profit decreased from approximately RMB921.5 million in 2023 to approximately RMB685.7 million in 2024 mainly due to the decrease in revenue during the year.

Other income

Other income decreased from approximately RMB69.2 million for the year ended 31 December 2023 to approximately RMB57.3 million for the year ended 31 December 2024. Such decrease was mainly due to the decrease in government subsidy income.

Other gain/(loss) – net

The Group recorded a net other gain of approximately RMB4.4 million for the year ended 31 December 2024 as compared to a net other loss of approximately RMB12.4 million for the year ended 31 December 2023. The net other gain was mainly due to the increase in foreign exchange gain.

Distribution costs

Distribution costs increased from approximately RMB493.3 million for the year ended 31 December 2023 to approximately RMB506.4 million for the year ended 31 December 2024. Such increase was mainly due to the increase in transportation costs.

Administrative expenses

Administrative expenses decreased from approximately RMB455.5 million for the year ended 31 December 2023 to approximately RMB437.7 million for the year ended 31 December 2024. Such decrease was mainly due to the decrease in stamp duty, property tax and other surcharges.

Finance costs – net

Net finance costs increased slightly from approximately RMB237.8 million for the year ended 31 December 2023 to approximately RMB241.8 million for the year ended 31 December 2024.

Income tax credit

The Group recorded an income tax credit of approximately RMB53.4 million for the year ended 31 December 2024 as compared with an income tax credit of approximately RMB17.8 million for the year ended 31 December 2023 representing an increase of approximately 200.1% mainly due to the increase in tax losses that can be recognized as deferred tax assets during the year.

Loss for the year

The Group recorded a loss of approximately RMB385.1 million for the year ended 31 December 2024 as compared with a loss of approximately RMB190.5 million for the year ended 31 December 2023 representing an increase of approximately 102.2%.

Capital Expenditure

Capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB349.0 million (2023: RMB602.0 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 2024, the borrowings of the Group amounted to approximately RMB7,312.2 million of which approximately RMB5,652.9 million were repayable within one year, notes payables amounted to approximately RMB374.8 million while the bank balances were approximately RMB1,645.4 million of which approximately RMB1,491.5 million were restricted mainly for the issuance of notes payable and letters of credit.

As at 31 December 2024, the Group recorded a net current liabilities of approximately RMB1,270.6 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 2024 and 2023 calculated on this basis were 71.42% and 68.37% respectively.

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 2024. 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 2024.

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 ten 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

Composition

The Board of Directors (the "Board") comprises 6 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. As of 31 December 2024, the Directors are as follows:

Executive Directors:
Mr. Zhou Keming *(Chairman)*
Ms. Xu Xia
Mr. Zou Xiaoping
Mr. Zhang Feng
Mr. Qian Li *(resigned on 20 December 2024)*
Mr. Ni Chen *(resigned on 20 December 2024)*
Mr. Liang Zongren *(appointed on 12 June 2024)*
Mr. Chen Ning *(appointed on 12 June 2024)*

Non-executive Directors:
Mr. Lu Jian
Mr. Zhu Baomin *(resigned on 20 December 2024)*
Mr. Lu Gang *(appointed on 20 December 2024)*

Independent non-executive Directors:
Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*

The biographical details of the Directors are set out on pages 38 to 43 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.

Mr. Liang Zongren, Mr. Chen Ning and Mr. Wang Liuqi, who were appointed to the Board on 12 June 2024, had obtained legal advice from an external law firm as required under Rule 3.09D of the Listing Rules on 5 June 2024 and Mr. Lu Gang, who was appointed to the Board on 20 December 2024, had obtained legal advice from an external law firm as required under Rule 3.09D of the Listing Rules on 6 December 2024. Each of them has confirmed their understanding of the obligations as a Director of the Company.

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 matter 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.

Five board meetings had been held in the financial year ended 31 December 2024. 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 *(Chairman)*	4/5
Ms. Xu Xia	4/5
Mr. Zou Xiaoping	5/5
Mr. Zhang Feng	4/5
Mr. Qian Li[a]	5/5
Mr. Ni Chen[a]	4/5
Mr. Liang Zongren[b]	2/2
Mr. Chen Ning[b]	2/2
Non-executive Directors	
Mr. Lu Jian	4/5
Mr. Zhu Baomin[a]	4/5
Mr. Lu Gang[c]	N/A
Independent non-executive Directors	
Mr. Cheuk Wa Pang	5/5
Prof. Hua Min[a]	5/5
Mr. Hu Xuefa	5/5
Prof. Chen Xin	5/5
Mr. Wang Liuqi[b]	2/2

(a) Resigned as a Director of the Company with effect from 20 December 2024.

(b) Appointed as a Director of the Company with effect from 12 June 2024.

(c) Appointed as a Director of the Company with effect from 20 December 2024.

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 to develop and refresh their knowledge and skills.

During the year, the Company had organised a training seminar relating to the latest information on compliance matters for listed companies on 11 November 2024. Attendance records of the Directors are set out below:

Name of Directors	Attended the training seminar held on 11 November 2024
Executive Directors	
Mr. Zhou Keming	✓
Ms. Xu Xia	✓
Mr. Zou Xiaoping	✓
Mr. Zhang Feng	✓
Mr. Qian Li(a)	✓
Mr. Ni Chen(a)	✓
Mr. Liang Zongren(b)	✓
Mr. Chen Ning(b)	✓
Non-executive Directors	
Mr. Lu Jian	✓
Mr. Zhu Baomin(a)	✓
Mr. Lu Gang(c)	N/A
Independent non-executive Directors	
Mr. Cheuk Wa Pang	✓
Prof. Hua Min(a)	✓
Mr. Hu Xuefa	✓
Prof. Chen Xin	✓
Mr. Wang Liuqi(b)	✓

All Directors had provided their training records for the year 2024 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.

(a) Resigned as a Director of the Company with effect from 20 December 2024.
(b) Appointed as a Director of the Company with effect from 12 June 2024.
(c) Appointed as a Director of the Company with effect from 20 December 2024.

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

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors.

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, 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 continuous professional development 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 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 2024, the Board included four independent non-executive Directors representing one-third of 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 2024, 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 2024.

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 *(Chairman)*	2/2
Prof. Hua Min[(a)]	2/2
Mr. Hu Xuefa	2/2
Prof. Chen Xin	1/2
Mr. Wang Liuqi[(b)]	1/1
Mr. Zou Xiaoping	2/2

(a) Prof. Hua Min resigned as a Director of the Company with effect from 20 December 2024.

(b) Mr. Wang Liuqi was appointed as a Director of the Company with effect from 12 June 2024.

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 2024 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 three meetings during the financial year ended 31 December 2024. The following is an attendance record of the meetings held by the Nomination Committee for the financial year:

Name of Nomination Committee Members	No. of meeting(s) attended/ No. of meetings held
Mr. Cheuk Wa Pang *(Chairman)*	3/3
Prof. Hua Min[(a)]	3/3
Mr. Hu Xuefa	3/3
Prof. Chen Xin	2/3
Mr. Wang Liuqi[(b)]	1/1
Ms. Xu Xia[(c)]	N/A
Mr. Zou Xiaoping	3/3

(a) Prof. Hua Min resigned as a Director of the Company with effect from 20 December 2024.

(b) Mr. Wang Liuqi was appointed as a Director of the Company with effect from 12 June 2024.

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

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; and

(4) Discussed succession planning for directors.

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 three meetings during the financial year ended 31 December 2024. 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 *(Chairman)*	3/3
Prof. Hua Min[a]	3/3
Mr. Hu Xuefa	2/3
Prof. Chen Xin	3/3
Mr. Wang Liuqi[b]	0/1

[a] Prof. Hua Min resigned as a Director of the Company with effect from 20 December 2024.

[b] Mr. Wang Liuqi was appointed as a Director of the Company with effect from 12 June 2024.

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;

(7) Reviewed the Group's financial and accounting policies and practices with the Auditor; and

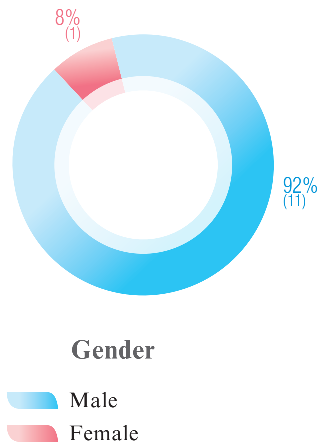
(8) Reviewed the Group's Whistleblowing Policy.

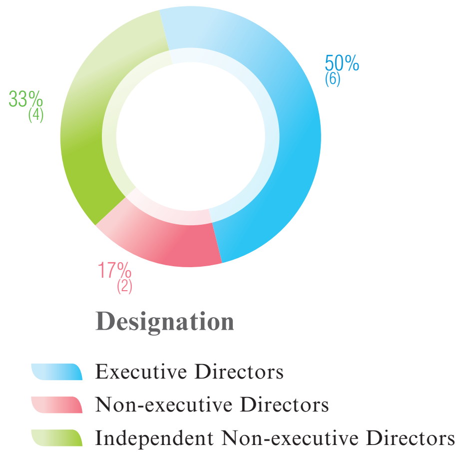
DIVERSITY

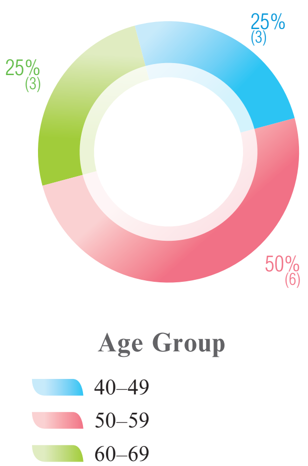
BOARD DIVERSITY POLICY

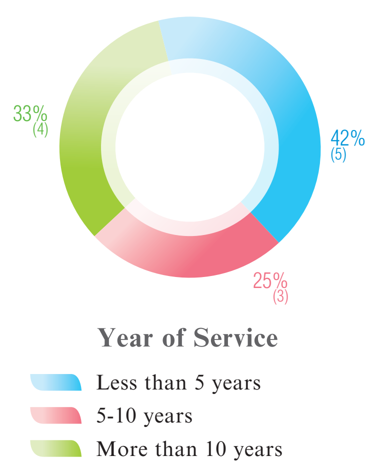
The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a Board Diversity Policy in 2013. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, 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.

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 2024:









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.

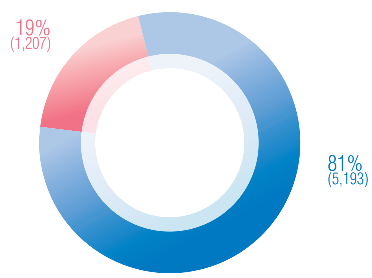
- the skills and experience of existing Directors help set the criteria for internal and external candidate search.
- executive search agencies may be engaged as appropriate to identify external candidates with desirable skillsets.

In view of the above, the Nomination Committee considers that the Company has strictly implemented the Board Diversity Policy. 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. 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.

DIVERSITY IN THE WORKFORCE

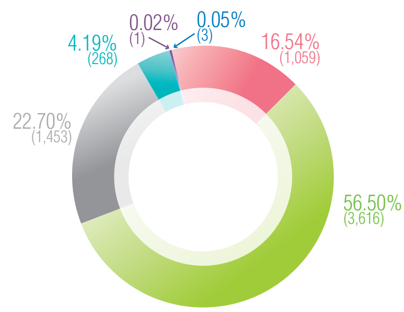
The Group is committed to building a gender-diverse and inclusive work environment, where all employees are treated with respect and equality, and where their employment, remuneration and promotion opportunities are not affected by factors such as nationality, race, age, gender, religion or marital status. The Group supports gender diversity and inclusion through fair employment practices, staff activities, benefits and training for all employees. For the year ended 31 December 2024, our employees and senior management comprise 81% of male and 19% of female. The Company targets to maintain similar level of gender diversity of the employees and senior management. The following chart shows the diversity profile of the employees and senior management as at 31 December 2024:

Employees



Gender

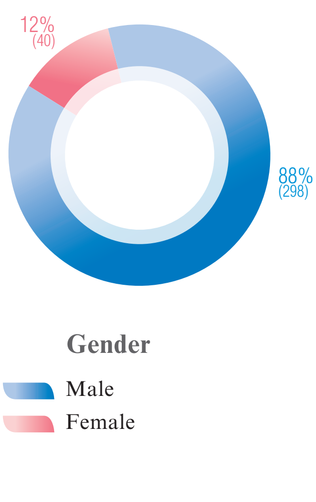
Male
Female



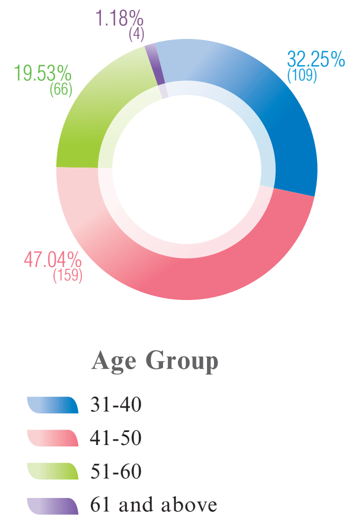
Age Group

20 and below
21-30
31-40
41-50
51-60
61 and above

Senior Management



Gender



Age Group

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.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, 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$217,000

The Audit Committee considered that the non-audit services in 2024 did not impair the independence of the Auditor.

COMPANY SECRETARY

Mr. Leung Man Fai has been appointed as company secretary of the Company since 2007. He has complied with Rule 3.29 of the Listing Rules in relation to professional training for the year ended 31 December 2024.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements that give a true and fair view of the Group for the year ended 31 December 2024.

The reporting responsibilities of the Auditor on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" in this Annual Report.

SHAREHOLDERS' RIGHTS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, pursuant to the Company's Amended and Restated Articles of Association, an extraordinary general meeting (the "EGM") can be convened by any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at our principal place of business in Hong Kong at Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Shareholders who wish to put forward proposals at shareholders' meetings may follow the procedures set out in the preceding paragraph. Shareholders may make their enquiries to the Board by contacting the company secretary by the following method:

The Company Secretary
Da Ming International Holdings Limited

Address:	:	Suite 1007, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Telephone	:	(852) 2511 0744
Facsimile	:	(852) 2511 4700
Email	:	info@jsdmss.com.hk

Shareholders may also direct their enquiries at the general meeting of the Company. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website www.dmssc.net or on request to the company secretary.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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. 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. In addition to the above, the Company communicates information to our shareholders and investors through channels such as financial reports, announcements and the Company's website. The Board has reviewed the Company's Shareholder Communication Policy and is of the opinion that its implementation is effective.

During the year, 2024 annual general meeting ("2024 AGM") was held on 11 June 2024 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 all other Directors in office at the time attended the 2024 AGM and were available to answer questions. The Company's external Auditor attended the 2024 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 substantially separate issue at a general meeting, a separate resolution will be proposed by the chairman of that meeting.

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

	2024 AGM No. of meeting(s) attended/No. of meeting(s) held
Executive Directors	
Mr. Zhou Keming *(Chairman)*	1/1
Ms. Xu Xia	1/1
Mr. Zou Xiaoping	1/1
Mr. Zhang Feng	1/1
Mr. Qian Li[a]	1/1
Mr. Ni Chen[a]	1/1
Mr. Liang Zongren[b]	N/A
Mr. Chen Ning[b]	N/A
Non-executive Directors	
Mr. Lu Jian	1/1
Mr. Zhu Baomin[a]	1/1
Mr. Lu Gang[c]	N/A
Independent non-executive Directors	
Mr. Cheuk Wa Pang	1/1
Prof. Hua Min[a]	1/1
Mr. Hu Xuefa	1/1
Prof. Chen Xin	1/1
Mr. Wang Liuqi[b]	N/A

(a) Resigned as a Director of the Company with effect from 20 December 2024.
(b) Appointed as a Director of the Company with effect from 12 June 2024.
(c) Appointed as a Director of the Company with effect from 20 December 2024.

On 11 June 2024, a special resolution passed at the 2024 AGM to approve the proposed amendments to the articles of association and adoption of the amended and restated articles of association. 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 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 strengthen the communication with investors and were available to answer questions.

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. 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 Board 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.

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 access 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.

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 regularly.

Handling and dissemination of inside information

The Group has taken various procedures and measures including arousing the awareness to preserve confidentiality of inside information within the Group, disseminating information to designated persons on strictly confidential basis, sending out securities dealing restrictions notifications to directors and senior management.

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"), aged 55, 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 and a cousin of Mr. Zhang Feng, both are executive Directors of the Company.

Ms. Xu Xia ("Ms. Xu"), aged 50, 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, a Director and a substantial shareholder of the Company. Ms. Xu is also the relative of Mr. Zhang Feng, an executive Director of the Company.

Mr. Zou Xiaoping ("Mr. Zou"), aged 60, 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.

Mr. Zhang Feng ("Mr. Zhang"), aged 48, was appointed as an executive Director on 15 October 2014. Mr. Zhang is currently the general manager, supervisor, director and legal representative of certain subsidiaries of the Company.

Mr. Zhang is a cousin of Mr. Zhou, the chairman of the Board, a Director and a substantial shareholder of the Company. Mr. Zhang is also related to Ms. Xu, a Director of the Company, as Ms. Xu is the wife of Mr. Zhou.

Mr. Liang Zongren ("Mr. Liang"), aged 56, 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, 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. ("Rizhao Iron and Steel Holding"), 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.

Mr. Chen Ning ("Mr. Chen"), aged 50, was appointed as an executive Director on 12 June 2024. Mr. Chen is currently the president of Daming Heavy Industry Co., Ltd. (the "Daming Heavy Industry"), being a wholly-owned subsidiary of the Company and currently serves as a director of certain subsidiaries of the Company. Mr. Chen studied industrial management engineering and graduated from East China University of Science and Technology in the PRC in July 1996.

Mr. Chen has extensive experience in relation to the business of carbon steel. From 1996 to 2002, Mr. Chen served as business manager of Shanghai Baosteel International Economic and Trade Co., Ltd. (formerly known as Baosteel Group International Economic and Trade Corporation). Shanghai Baosteel International Economic and Trade Co., Ltd. is an indirect wholly-owned subsidiary of China Baowu, which is a substantial shareholder of the Company. From 2002 to 2013, he served as sales manager of Thyssenrupp (China) Investment Co., Ltd., Shanghai Branch. From 2013 to 2014, Mr. Chen served various positions including the director, deputy general manager and general manager of the carbon steel department of Jiangsu Daming Industrial Technology Group Co., Ltd. (the "Jiangsu Daming"). From 2015 to 2022, Mr. Chen served various positions including deputy general manager, development director of carbon steel series and general manager of Daming Metal Technology Co., Ltd. and general manager of the carbon steel department of Jiangsu Daming. From January 2022 to August 2022, Mr. Chen served as the executive vice president of Daming Heavy Industry.

NON-EXECUTIVE DIRECTORS

Mr. Lu Jian ("Mr. Lu"), aged 50, 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. In September 2022, he is the head of the system innovation department (operations improvement department) of Taiyuan Steel.

Mr. Lu Gang ("Mr. Lu"), aged 47, 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.

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 Techonogy 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"), aged 60, 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"), aged 62, 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. 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"), aged 49, 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 has then been working as a professor at the Shanghai Advanced Institution of Finance of Shanghai Jiao Tong University since May 2018 and at Dishui Lake Advanced Finance Institute of Shanghai University of Finance and Economics since February 2025, respectively.

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 Guangdong Qunxing Toys Joint-Stock Co. Ltd., whose shares are listed on Shenzhen Stock Exchange (stock code: 002575.SZ) since October 2022, 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 Hengtai Securities Co., Ltd. (stock code on Stock Exchange in Hong Kong: 1476.HK) since September 2023. During the period from 21 January 2022 to 8 February 2025, Prof. Chen was the director of Shanghai Shengsheng Medical Cold Chain Technology Co., Ltd. Currently, he is a director of Yunnan Investment Holding Group Co., Ltd.

Mr. Wang Liuqi ("Mr. Wang"), aged 53, 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.

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 60, 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 2024.

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.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of comprehensive income on page 64.

DIVIDENDS

The Directors did not declare any payment of an interim dividend (2023: Nil) during the year.

The Board does not recommend the payment of a final dividend (2023: Nil) for the year ended 31 December 2024.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 21 and Note 37 to the consolidated financial statements respectively.

As of 31 December 2024, our reserves available for distribution amounted to approximately RMB1,905.1 million (2023: RMB1,889.0 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 2024.

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 OPTION SCHEME

The Company adopted a share option scheme on 9 November 2010 and has expired on 23 December 2024. The major terms of the share option scheme are as follows:

The purpose of the share option scheme is to attract, retain and motivate talented Participants (as defined below) and to strive for future developments and expansion of our Group. The share option scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

Eligible Participants of the share option scheme include: (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of our Group; (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group; (iii) any consultant (in the area of legal, technical, financial or corporate management) and other adviser to any member of our Group; (iv) any provider of goods and/or services to our Group; and (v) any other person who the Board considers, in its sole discretion, have contributed to our Group.

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme shall not in aggregate exceed 100,000,000 shares of the Company, being 10% of the shares in issue as at the date of listing of the shares, unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each Participant under the share option scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The exercise price for the shares under the share option scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares.

The share option scheme had remained valid and effective for a period of 10 years from 9 November 2010 to 8 November 2020 ("Effective Period") and the share options granted have a 10-year exercise period. No more share options would be granted under the share option scheme after the Effective Period, but the share options granted during the Effective Period will continue to be valid in accordance with the provisions of the share option scheme. During the year under review, a total of 12,800,000 share options lapsed and no share options were granted, exercised or cancelled.

As at 31 December 2024, there were no outstanding share options granted to Directors and certain employees of the Group. Details of which are as follows:

			Number of share options					
Name or category of participant	Date of grant	Exercise price *(HK$)*	As at 1 January 2024	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2024	Exercise period
Director								
Mr. Zhang Feng	23 December 2014	2.364	100,000[1]	–	–	(100,000)	–	23 December 2017 to 22 December 2024
Other employees in aggregate	23 December 2014	2.364	12,700,000[1]	–	–	(12,700,000)	–	23 December 2017 to 22 December 2024
Total			12,800,000	–	–	(12,800,000)	–	

(1) 40% of share options are exercisable from the third anniversary date of the date of grant; 70% of share options are exercisable from the fourth anniversary date of the date of grant; and all share options are exercisable from the fifth anniversary date of the date of grant.

Details of the valuation of share options during the year are set out in Note 20 to the consolidated financial statements.

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 our 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 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.

Shares will be acquired by an independent trustee 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 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 Rule) 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, no shares of the Company's existing ordinary shares have been purchased for the share award scheme. As at 31 December 2024, the independent trustee holds 17,614,000 shares of the Company for the share award scheme.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the framework agreement entered into between the Company and China Baowu on 27 January 2021, (i) the Group agrees to purchase and China Baowu and its subsidiaries ("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 a term of 3 years from 1 January 2021 and 31 December 2023.

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.

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 and the connected relationship between the Company and China Baowu 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 2024, (i) supply of steel by the China Baowu Group to the Group amounted to approximately RMB16.9 billion, not exceeding the annual cap of RMB26.2 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 RMB0.62 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.

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
Mr. Qian Li *(resigned on 20 December 2024)*
Mr. Ni Chen *(resigned on 20 December 2024)*
Mr. Liang Zongren *(appointed on 12 June 2024)*
Mr. Chen Ning *(appointed on 12 June 2024)*

Non-executive Directors
Mr. Lu Jian
Mr. Zhu Baomin *(resigned on 20 December 2024)*
Mr. Lu Gang *(appointed on 20 December 2024)*

Independent Non-Executive Directors
Mr. Cheuk Wa Pang
Prof. Hua Min *(resigned on 20 December 2024)*
Mr. Hu Xuefa
Prof. Chen Xin
Mr. Wang Liuqi *(appointed on 12 June 2024)*

In accordance with Article 84 of the Amended and Restated Articles of Association of the Company, Ms. Xu Xia, Mr. Zhang Feng and Mr. Lu Jian retire from office by rotation at the Company's 2025 annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

In accordance with Articles 83(3) of the Amended and Restated Articles of Association of the Company, Mr. Liang Zongren, Mr. Chen Ning, and Mr. Wang Liuqi, who were appointed as additional Directors of the Company by the Board on 12 June 2024 and Mr. Lu Gang, who was appointed as a Director of the Company by the Board on 20 December 2024 to fill the casual vacancy as a result of the resignation of Mr. Zhu Baomin from the Board, shall hold office until the date of the next following annual general meeting of the Company and shall then be eligible for re-election.

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 independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

The biographical details of Directors are set out on pages 38 to 43 of this Annual Report.

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 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 had a material interest, whether directly or indirectly, subsisted at any time during 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 2024, 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, family and corporate	738,551,000[(1)]	57.95%
Mr. Zou Xiaoping	Personal and family	5,060,000[(2)]	0.40%
Mr. Zhang Feng	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.

(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 2024, Ally Good Group Limited is the holder of 57.95% 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 2024, 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 2024, 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**
Long position		
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 2024.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the contract of significance between the Group and the controlling shareholder are set out in the section of "Continuing Connected Transaction" of this Report.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 38 to the consolidated financial statements.

The Group employed a total of 6,738 staffs as at 31 December 2024 (2023: 7,231), of which 4,993 were production and technical personnel, representing 74.1%; 1,114 were sales personnel, representing 16.5%; and 631 were management and financial officer, representing 9.4%. There was a decline of approximately 6.8% in our workforce in 2024 as compared with 2023 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 option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, from 23 December 2020 to 28 November 2024, the Company's public float was below 25%, the minimum prescribed percentage as required in Rule 8.08(1)(a) of the Listing Rules.

As disclosed in the Company's announcement dated 26 April 2024, the Company was informed by Ally Good Group Limited, it had entered into an agreement with the relevant independent third party to dispose of 5,000,000 Shares, representing approximately 0.392% of the total number of issued Shares. Completion of such disposal is expected to take place on or before 30 April 2024. Immediately after completion, the public float of the Company has increased to approximately 21.100%. A supplemental announcement dated 30 April 2024 was issued as the Company was informed on 30 April 2024 that, since the independent third party's securities service provider had not yet completed its internal control and compliance procedures, the expected date of completion would be postponed to on or before 7 May 2024. A further supplemental announcement dated 2 May 2024, the Company was informed by Ally Good Group Limited that the disposal of the 5,000,000 Shares had been completed. Accordingly, the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied after the completion.

On 11 September 2024, the Company was informed by Ally Good Group Limited that it had entered into an agreement with an independent third party in relation to the disposal of 45,000,000 Shares. Completion of the disposal took place on the same date. Immediately after completion, the public float of the Company has been increased to approximately 24.631%, which remains below the minimum prescribed percentage.

On 29 November 2024, the Company was informed by Ally Good Group Limited that it has disposed of 5,000,000 Shares, representing approximately 0.392% of the issued Shares capital of the Company, to an independent third party, in order to restore the minimum public float requirement in compliance with Rule 8.08(1)(a) of the Listing Rules. Completion of the disposal took place on the same date.

Upon completion of the disposal, the public float of the Company increased from approximately 24.631% to approximately 25.023% of the total issued shares of the Company. Following the completion of the disposal by Ally Good Group Limited, the Company has restored the minimum 25% public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Save as disclosed above, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

CORPORATE GOVERNANCE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 17 to 37 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 2024 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, 28 March 2025

羅兵咸永道

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 62 to 151, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 ("HKSAs") 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.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have 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

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories Refer to Notes 4(a) and 13 to the consolidated financial statements. As at 31 December 2024, inventories of the Group amounting to RMB3,821,706,000 were stated at the lower of cost and net realisable value. 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. 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.	Our procedures performed in addressing this key audit matter were: • 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. Based on our work performed, we found management's judgement and estimation for the net realisable value of inventories were supported by available evidence.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>
Deferred income tax assets
Refer to Notes 4(c), 11 and 39.15 to the consolidated financial statements.
As at 31 December 2024, deferred income tax assets of approximately RMB283,793,000 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.
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.
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.
</td><td>
Our procedures performed in addressing this key audit matter were:

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.
</td></tr>
</table>

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 2024 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 HKFRSs 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

- 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 Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,121,368**	5,200,514
Right-of-use assets	7	**521,364**	540,228
Investment properties	8	**1,638**	1,905
Intangible assets	9	**19,987**	23,937
Deferred income tax assets	11	**254,394**	170,022
Contract assets	14	**5,651**	13,878
Other non-current assets	12	**38,957**	36,141
		5,963,359	5,986,625
Current assets			
Inventories	13	**3,821,706**	3,952,758
Trade receivables and contract assets	14	**414,538**	462,592
Prepayments, deposits and other receivables	15	**1,075,670**	1,161,519
Financial assets at fair value through other comprehensive income	16	**49,762**	59,040
Restricted bank deposits	17	**1,491,549**	1,301,037
Cash and cash equivalents	18	**153,891**	265,311
		7,007,116	7,202,257
Total assets		**12,970,475**	13,188,882
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	19	**109,041**	109,041
Reserves	21	**2,418,872**	2,833,451
		2,527,913	2,942,492
Non-controlling interests		**336,885**	338,756
Total equity		**2,864,798**	3,281,248

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**1,659,376**	1,968,535
Deferred government grants	*25*	**126,898**	132,010
Deferred income tax liabilities	*11*	**13,020**	5,869
Lease liabilities	*7*	**523**	3,695
Long-term payables	*23*	**28,149**	32,939
		1,827,966	2,143,048
Current liabilities			
Trade payables	*22*	**1,082,057**	707,959
Accruals and other payables	*23*	**513,452**	659,973
Contract liabilities	*5*	**960,491**	946,397
Current income tax liabilities		**35,418**	34,305
Borrowings	*24*	**5,652,858**	5,390,190
Lease liabilities	*7*	**3,174**	5,762
Dividends payable		**30,261**	20,000
		8,277,711	7,764,586
Total liabilities		**10,105,677**	9,907,634
Total equity and liabilities		**12,970,475**	13,188,882

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 28 March 2025 and were signed on its behalf.

Zhou Keming
Director

Zou Xiaoping
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**46,453,309**	50,560,063
Cost of goods sold	28	**(45,767,623)**	(49,638,529)
Gross profit		**685,686**	921,534
Other income	26	**57,313**	69,224
Other gain/(loss) – net	27	**4,406**	(12,394)
Distribution costs	28	**(506,393)**	(493,264)
Administrative expenses	28	**(437,699)**	(455,537)
Operating (loss)/profit		**(196,687)**	29,563
Finance income	30	**44,838**	36,526
Finance costs	30	**(286,679)**	(274,371)
Finance costs – net	30	**(241,841)**	(237,845)
Loss before income tax		**(438,528)**	(208,282)
Income tax credit	31	**53,389**	17,789
Loss and total comprehensive loss for the year		**(385,139)**	(190,493)
Attributable to:			
Shareholders of the Company		**(414,579)**	(219,068)
Non-controlling interests		**29,440**	28,575
		(385,139)	(190,493)
Earnings per share for profit attributable to shareholders of the Company during the year			
(expressed in RMB per share)			
– Basic loss per share	32	**(0.33)**	(0.17)
– Diluted loss per share	32	**(0.33)**	(0.17)

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

	Attributable to shareholders of the Company			
	Share capital *(Note 19)* *RMB'000*	Reserves *(Note 21)* *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2024	**109,041**	**2,833,451**	**338,756**	**3,281,248**
Comprehensive income				
Loss 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**
Balance at 1 January 2023	109,041	3,056,418	339,226	3,504,685
Comprehensive income				
Loss for the year	–	(219,068)	28,575	(190,493)
Transactions with owners				
Acquisition of non-controlling interest	–	(3,899)	(13,197)	(17,096)
Captial injection by non-controlling shareholders of subsidiaries	–	–	4,152	4,152
Dividends	–	–	(20,000)	(20,000)
Total transactions with owners	–	(3,899)	(29,045)	(32,944)
Balance at 31 December 2023	109,041	2,833,451	338,756	3,281,248

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**704,189**	351,275
Interest received		**46,396**	41,421
Interest paid		**(288,547)**	(273,786)
Income tax paid		**(22,897)**	(65,546)
Income tax return		**321**	13,916
Net cash generated from operating activities		**439,462**	67,280
Cash flows from investing activities			
Purchase of property, plant and equipment		**(442,367)**	(638,894)
Purchase of land use rights		**–**	(26,081)
Purchase of intangible assets		**(1,747)**	(1,577)
Cash received in relation to asset-related government grants	*25*	**11,349**	10,649
Proceeds from sale of property, plant and equipment	*34(b)*	**432**	1,442
Net cash used in investing activities		**(432,333)**	(654,461)
Cash flows from financing activities			
Proceeds from borrowings	*34(c)*	**15,433,742**	11,324,355
Repayments of borrowings	*34(c)*	**(11,001,509)**	(7,662,061)
Restricted bank deposits pledged for bank borrowings and used for repayment of borrowings	*34(c)*	**(4,521,190)**	(3,237,113)
Restricted bank deposits used for purchasing property, plant and equipment under project loan facility	*34(c)*	**–**	59,911
Payments of lease liabilities	*34(c)*	**(5,760)**	(5,713)
Acquisition of non-controlling interest	*10*	**–**	(17,098)
Dividends paid to non-controlling interests in subsidiaries		**(21,050)**	(20,000)
Payment of withholding tax		**–**	(2,039)
Capital injection from non-controlling shareholders		**–**	4,152
Deposits for finance lease arrangement	*34(c)*	**(3,000)**	–
Net cash (used in)/generated from financing activities		**(118,767)**	444,394
Net decrease in cash and cash equivalents		**(111,638)**	(142,787)
Cash and cash equivalents at beginning of year	*18*	**265,311**	406,856
Exchange gain on cash and cash equivalents		**218**	1,242
Cash and cash equivalents at end of year	*18*	**153,891**	265,311

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

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 28 March 2025.

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 under the historical cost convention, 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 loss increased from RMB190,493,000 for the year ended 31 December 2023 to RMB385,139,000 for the year end 31 December 2024, mainly due to the decrease of profit margin. The Group's current liabilities exceeded its current assets by approximately RMB1,270,595,000 as at 31 December 2024, as compared to RMB562,329,000 as at 31 December 2023. The Group's cash and cash equivalents decreased from RMB265,311,000 as at 31 December 2023 to RMB153,891,000 as at 31 December 2024. 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; and

(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.

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

A number of new or amended standards and interpretations became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024

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, amended standards and interpretations not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These new standards and interpretations are:

		Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Classification and measurement of financial instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18	Presentation and disclosure in financial statements	1 January 2027
HKFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is currently assessing the impact of applying these new standards and amendments on the Group's consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards, amendments and interpretations until their effective dates.

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 and stainless steel and carbon steel raw material price 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. 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 (USD), EURO (EUR), Hong Kong Dollar (HKD), and Japanese Yen (JPY), which are exposed to foreign currency translation risk. Details of the Group's trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings are disclosed in Notes 14, 15, 17, 18, 22, 23 and 24 respectively.

As at 31 December 2024, if RMB had strengthened/weakened by 5% against the foreign currencies as listed below with all other variables held constant, the loss before income tax for the year would have been changed as listed below.

	Impact on loss before income tax Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
USD	**688 higher/lower**	1,948 higher/lower
EUR	**968 lower/higher**	1,015 lower/higher
HKD	**94 higher/lower**	102 higher/lower
JYP	**34 lower/higher**	34 lower/higher

The impact is mainly as a result of foreign exchange differences on translation of foreign currency denominated trade receivables and contract assets, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings.

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 2024, if the interest rates on bank borrowings had been 100 basis-points higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been RMB28,318,000 (2023: RMB29,334,000) higher/lower, mainly as a result of higher/lower interest expense on borrowings.

(iii) Stainless steel and carbon steel raw material price risk

The Group's results of operations may be significantly affected by fluctuation in prices of steel which is a significant cost component of the Group.

Steel raw materials, including stainless steel and carbon steel, account for 96.95% (2023: 97.16%) of the Group's cost of goods sold. 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.

Currently, this price adjustment practice with raw material vendors are the Group's main method used to mitigate the risks associated with the fluctuation of steel prices.

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 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.

(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 2024, 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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Credit risk of cash at bank (continued)

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Group 1	**552,035**	500,968
Group 2	**1,025,486**	964,170
Group 3	**67,864**	101,132
	1,645,385	1,566,270

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

(ii) Credit risk of trade 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

	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 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**

	As at 31 December 2023			
	Less than 1 year *RMB'000*	Between 1 year and 2 years *RMB'000*	Over 2 years *RMB'000*	Total *RMB'000*
Trade receivables and contract assets				
Gross carrying amount	452,477	29,785	13,419	495,681
Expected loss rate	2.73%	10.56%	64.98%	
Loss allowance	12,346	3,146	8,719	24,211

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 RMB43,000 (2023: RMB755,000) as at 31 December 2024 (Note 14). Since the allowance on contract assets was not significant to the Group, no detailed analysis of the assessment of expected credit loss is presented.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of other receivables

Other receivables mainly comprise value-added tax recoverable and interest receivable. 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.

(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.

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 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**
At 31 December 2023					
Borrowings	5,390,190	1,367,229	525,625	88,000	7,371,044
Interests payment on borrowings *(i)*	141,104	73,105	45,348	1,051	260,608
Lease liabilities	6,189	3,263	538	–	9,990
Trade payables	707,959	–	–	–	707,959
Other payables *(ii)*	335,565	32,939	–	–	368,504
	6,581,007	1,476,536	571,511	89,051	8,718,105

(i) The interests on borrowings are calculated based on borrowings held as at 31 December 2024 and 2023 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 2024 and 2023 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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
FVOCI *(Note 16)*				
As at December 31, 2024	**–**	**–**	**49,762**	**49,762**
Assets				
FVOCI *(Note 16)*				
As at December 31, 2023	–	–	59,040	59,040

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

Level 3 financial assets at FVOCI comprise bank and commercial 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.

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	
	2024 ***RMB'000***	2023 *RMB'000*
Fair value of financial assets at FVOCI	**49,762**	59,040
Inputs (probability-weighted average)	**1.30%**	1.55%

The un-obversable 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 2024 by approximately RMB83,000 (2023: RMB115,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

The gearing ratios at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Total borrowings *(Note 24)*	**7,312,234**	7,358,725
Less: cash and cash equivalents *(Note 18)*	**(153,891)**	(265,311)
Net debt	**7,158,343**	7,093,414
Total equity	**2,864,798**	3,281,248
Total capital	**10,023,141**	10,374,662
Gearing ratio	**71.42%**	68.37%

The increase in the gearing ratio during 2024 mainly because of the decrease of cash and cash equivalents while total equity decreased due to loss 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 expense. 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.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

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 and deferred income tax assets.

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

During the year ended 31 December 2024, none of the customers of the Group that individually contributed to 10% or more of the Group's revenue (2023: nil).

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	
	2024	2023
	RMB'000	*RMB'000*
– Mainland China	**44,970,767**	49,060,233
– Hong Kong and other overseas countries and regions *(i)*	**1,482,542**	1,499,830
Total revenue	**46,453,309**	50,560,063

(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	
	2024	2023
	RMB'000	*RMB'000*
Processing:		
Processing of metal materials	**43,686,749**	47,265,587
Components manufacturing	**1,310,956**	2,089,834
Manufacturing:		
High-end equipment manufacturing	**1,455,604**	1,204,642
	46,453,309	50,560,063

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

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	**45,642,775**	**1,562,889**	**(752,355)**	**46,453,309**
Segment results	**(155,770)**	**(91,505)**	**(11,131)**	**(258,406)**
Other income				**57,313**
Other gain – net				**4,406**
Finance costs – net				**(241,841)**
Loss before income tax				**(438,528)**
Income tax credit				**53,389**
Loss for the year				**(385,139)**
Items included in profit and loss:				
Depreciation and amortisation (*Notes 6,7,8,9*)	**325,713**	**125,877**	**–**	**451,590**

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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	**2,126,610**	**1,143,600**	**(489,787)**	**7,325,254**	**10,105,677**
(Decrease of)/Additions to non-current assets	**(138,132)**	**33,310**	**(2,460)**	**5,055**	**(102,227)**

The segment results for the year ended 31 December 2023:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Sales to external customers	49,355,421	1,204,642	–	50,560,063
Intra-group sales	605,800	131,691	(737,491)	–
Segment revenue	49,961,221	1,336,333	(737,491)	50,560,063
Segment results	60,160	(84,842)	(2,585)	(27,267)
Other income				69,224
Other loss – net				(12,394)
Finance costs – net				(237,845)
Loss before income tax				(208,282)
Income tax credit				17,789
Loss for the year				(190,493)
Items included in profit and loss:				
Depreciation and amortisation *(Notes 6,7,8,9)*	323,211	115,191	–	438,402

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2023:

	Processing *RMB'000*	Manufacturing *RMB'000*	Elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	8,436,090	3,251,279	(340,646)	1,842,159	13,188,882
Segment liabilities	1,876,508	1,003,561	(337,029)	7,364,594	9,907,634
(Decrease of)/Additions to non-current assets	(43,983)	231,869	(4,102)	5,739	189,523

(c) Contract assets and liabilities

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

	As at 31 December **2024** ***RMB'000***	2023 *RMB'000*
Current contract assets	**6,316**	37,392
Non-current contract assets	**5,671**	14,085
Loss allowance	**(43)**	(755)
Total contract assets *(i)*	**11,944**	50,722
Contract liabilities – advances from customers *(ii)*	**960,491**	946,397

(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.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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 occured when the goods have been picked up or shipped to the specified location. The risks of obsolescence and loss have been transferred to the customers and the customer has accepted the goods.

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.

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 2023						
Cost	1,729,807	4,667,181	53,228	87,253	743,019	7,280,488
Accumulated depreciation	(361,783)	(1,800,572)	(35,939)	(63,294)	–	(2,261,588)
Net book amount	1,368,024	2,866,609	17,289	23,959	743,019	5,018,900
Year ended 31 December 2023						
Opening net book amount	1,368,024	2,866,609	17,289	23,959	743,019	5,018,900
Additions	1,425	20,716	4,088	8,087	567,654	601,970
Transfer from construction-in-progress	147,223	247,333	2,127	3,287	(399,970)	–
Transfer to intangible assets *(Note 9)*	–	–	–	–	(3,381)	(3,381)
Transfer to investment properties *(Note 8)*	(924)	–	–	–	–	(924)
Disposals *(Note 34(b))*	(53)	(1,229)	(769)	(75)	–	(2,126)
Depreciation *(Note 28)*	(66,426)	(334,904)	(3,763)	(8,832)	–	(413,925)
Closing net book amount	1,449,269	2,798,525	18,972	26,426	907,322	5,200,514
At 31 December 2023						
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	1,449,269	2,798,525	18,972	26,426	907,322	5,200,514
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	1,583,790	2,990,682	16,189	24,751	505,956	5,121,368
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	1,583,790	2,990,682	16,189	24,751	505,956	5,121,368

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 leasor's consent must be obtained for the pledge and/or disposal of these assets. As at 31 December 2024, assets under this resstriction amounted to RMB525,951,000 (2023: RMB254,894,000).

Taiyuan Taigang Daming Metal Technology Co., Ltd. ("Taiyuan Taigang Daming"), a subsidiary of the Group, pleged 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 2024, the Group's machineries under this restriction amounted to RMB129,942,000 (2023: RMB151,298,000).

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 2024, buildings and plant with net book value of RMB142,955,000 (2023: RMB150,589,000) 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	
	2024	2023
	RMB'000	*RMB'000*
Cost of goods sold	**405,057**	391,479
Distribution costs	**1,385**	1,500
Administrative expenses	**20,521**	20,946
	426,963	413,925

For the year ended 31 December 2024, general borrowing interests amounting to approximately RMB13,747,000 (2023: RMB13,496,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 3.44% (2023: 3.85%) per annum. In addition, borrowing interests of the project loan facility amounting to approximately RMB5,427,000 (2023: RMB8,562,000) were capitalised into the cost of property, plant and equipment at an average borrowing rate of 5.46% (2023: 5.46%) per annum.

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.

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.

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	
	2024	2023
	RMB'000	*RMB'000*
Right-of-use assets		
– Land use rights	**516,151**	529,435
– Properties	**5,213**	10,793
	521,364	540,228
Lease liabilities		
– Current	**3,174**	5,762
– Non-current	**523**	3,695
	3,697	9,457

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 2024, land use rights with net book value of RMB125,743,000 (2023: RMB103,574,000) 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 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**
At 1 January 2023	16,208	516,542	532,750
Additions	763	26,081	26,844
Disposals	(158)	–	(158)
Depreciation charges *(Note 28)*	(6,020)	(13,188)	(19,208)
At 31 December 2023	10,793	529,435	540,228

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:

	2024	2023
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
– Land use rights	**(13,284)**	(13,188)
– Properties	**(5,580)**	(6,020)
	(18,864)	(19,208)
Interest expense	**(172)**	(266)
Expense relating to short-term leases	**(5,344)**	(5,340)

The total cash outflow for leases in 2024 was RMB11,276,000 (2023: RMB37,400,000).

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	
	2024	2023
	RMB'000	*RMB'000*
Opening net book amount	**1,905**	1,130
Transfer from property, plant and equipment *(Note 6)*	**–**	924
Depreciation *(Note 28)*	**(267)**	(149)
Closing net book amount	**1,638**	1,905
Cost	**4,055**	4,055
Accumulated depreciation	**(2,417)**	(2,150)
Net book amount	**1,638**	1,905

For the year ended 31 December 2024, the rental income arising from investment properties amounted to approximately RMB1,286,000 (2023: RMB1,331,000) (Note 26).

8. INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2024, the fair values of the investment properties were approximately RMB8,185,000 (2023: RMB8,295,000). 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	
	2024	2023
	RMB'000	*RMB'000*
At 1 January		
Cost	**47,873**	43,097
Accumulated amortisation	**(23,936)**	(18,816)
Net book amount	**23,937**	24,281
Opening net book amount	**23,937**	24,281
Additions	**1,546**	1,395
Transfer from construction-in-progress *(Note 6)*	**–**	3,381
Amortisation *(Note 28)*	**(5,496)**	(5,120)
Closing net book amount	**19,987**	23,937
At 31 December		
Cost	**49,419**	47,873
Accumulated amortisation	**(29,432)**	(23,936)
Net book amount	**19,987**	23,937

For the year ended 31 December 2024, amortisation of the Group's intangible assets amounting to RMB5,496,000 (2023: RMB5,120,000) was charged to administrative expenses and cost of goods sold in the consolidated statement of comprehensive income.

10. SUBSIDIARIES

(a) The Group's principal subsidiaries at 31 December 2024 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	
				2024	2023
				%	%
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
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

10. SUBSIDIARIES (CONTINUED)

(a) The Group's principal subsidiaries at 31 December 2024 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 2024 %	2023 %
Daming Heavy Industry Co., Ltd. ("Daming Heavy Industry")	Mainland China, limited liability company	Processing, manufacturing and sales of steel products, in the PRC	USD207,059,455	**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.	Mainland China, limited liability company	Distribution and sales of steel products and fixed assets, in the PRC	RMB103,952,000	**96.2**	96.2
Jiangsu Daming Steel Union logistics Co., Ltd. ("Steel Union Logistics")	Mainland China, limited liability company	Distribution sevice, in the PRC	RMB10,000,000	**65**	65

10. SUBSIDIARIES (CONTINUED)

(a) The Group's principal subsidiaries at 31 December 2024 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 2024 %	2023 %
Daming Logistics Co., Ltd.	Mainland China, limited liability company	Cargo handling and storage at public terminals, in the PRC	RMB80,000,000	**80**	80
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
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.	Mainland China, limited liability company	Manufacturing and sales of special and general equipments, mechanical and electrical equipments, in the PRC	RMB28,000,000	**77.2**	77.2
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
Jiangsu Daming Heavy Equipment Manufacturing Co., Ltd.	Mainland China, limited liability company	Machining of mechanical parts and components; Manufacturing of machine tool functional parts and accessories, in the PRC	RMB20,000,000	**100**	100

10. SUBSIDIARIES (CONTINUED)

(a) The Group's principal subsidiaries at 31 December 2024 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	
				2024	2023
				%	%
Jiangsu Daming Intercity Steel Union Logistics Co., Ltd. ("Intercity Logistics")	Mainland China, limited liability company	Distribution sevice, in the PRC	RMB5,000,000	**65**	65
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	RMB550,000	**80**	80
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	German, limited liability company	Sales of energy equipment parts and high-end manufacturing parts, in German	EUR80,000	**96.2**	96.2
Jiangsu Zhouhang Fortune Improt & Export Co., Ltd.	Mainland China, limited liability company	Distribution and sales of steel products and fixed assets, in the PRC	–	**96.2**	–
Wuxi Daming Intelligent Manufacturing Technology Co., Ltd.	Mainland China, limited liability company	Processing, distribution and sales of steel products, in the PRC	–	**100**	–

10. SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests:

The total comprehensive income attributable to non-controlling interests for the year ended 31 December 2024 was RMB29,440,000 (2023: RMB28,575,000), of which RMB32,249,000 (2023: RMB33,778,000) 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	
	2024	2023
	RMB'000	*RMB'000*
Current assets	**1,054,470**	1,342,689
Current liabilities	**942,727**	1,097,422
Total current net assets	**111,743**	245,267
Non-current assets	**431,294**	445,785
Non-current liabilities	**77,875**	36,109
Total non-current net assets	**353,419**	409,676
Net assets	**465,162**	654,943

10. SUBSIDIARIES (CONTINUED)

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

Summarised statement of comprehensive income

	Year ended 31 December 2024 *RMB'000*	2023 *RMB'000*
Revenue	**6,686,548**	8,079,216
Profit before income tax	**104,208**	109,444
Income tax expense	**(23,586)**	(24,999)
Profit after tax and total comprehensive income	**80,622**	84,445
Total comprehensive income attributable to non-controlling interests (40%)	**32,249**	33,778
Dividends paid to non-controlling interests	**30,000**	20,000

Summarised cash flows

	Year ended 31 December 2024 *RMB'000*	2023 *RMB'000*
Cash flows from operating activities		
Cash generated from operations	**342,579**	(47,506)
Interest received	**21,166**	33,071
Interest paid	**(22,964)**	(24,320)
Income tax paid	**(19,748)**	(20,139)
Income tax return	**–**	7,627
Net cash generated from/(used in) operating activities	**321,033**	(51,267)
Net cash used in investing activities	**(12,223)**	(16,563)
Net cash (used in)/generated from financing activities	**(314,750)**	64,500
Net decrease in cash and cash equivalents	**(5,940)**	(3,330)
Cash and cash equivalents at beginning of year	**15,227**	18,557
Cash and cash equivalents at end of year	**9,287**	15,227

11. DEFERRED INCOME TAX

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Deferred income tax assets:		
– deferred income tax assets to be recovered after more than 12 months	**243,269**	147,925
– deferred income tax assets to be recovered within 12 months	**105,629**	128,798
Total deferred income tax assets	**348,898**	276,723
Set-off of deferred income tax liabilities	**(94,504)**	(106,701)
Net deferred income tax assets	**254,394**	170,022
Deferred income tax liabilities:		
– deferred income tax liabilities to be settled after more than 12 months	**94,517**	99,713
– deferred income tax liabilities to be settled within 12 months	**13,007**	12,857
Total deferred income tax liabilities	**107,524**	112,570
Set-off of deferred income tax liabilities	**(94,504)**	(106,701)
Net deferred income tax liabilities	**13,020**	5,869

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 2023	11,782	15,771	23,545	2,156	10,588	162,929	1,915	228,686
Recognised in the consolidated statement of comprehensive income	11,397	359	(15,900)	1,701	(2,202)	52,555	127	48,037
At 31 December 2023	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

The movement in deferred income tax liabilities before off setting 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 2023	25,057	8,582	78,881	2,013	–	114,533
Payment of withholding tax						
Recognised in the consolidated comprehensive income statements	1,388	(8,582)	4,231	374	626	(1,963)
At 31 December 2023	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

11. DEFERRED INCOME TAX (CONTINUED)

(a) 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 2024, accumulated losses amounting to RMB274,822,000 (2023: RMB123,590,000), RMB41,144,000 (2023: RMB41,144,000), RMB32,165,000 (2023: RMB27,904,000) 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 RMB80,184,000(2023: RMB41,673,000) in respect of the total accumulated losses amounting to RMB348,131,000(2023: RMB192,638,000) that can be carried forward against future taxable income, since it is not probable that the respective entities will have adequate profit to utlise the losses in the foreseeable future.

(b) 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% (2023: 5%). Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB765,252,000 (2023: RMB882,131,000) as at 31 December 2024 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.

(c) Pursuant to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2023] 37) issued by the State Administration of Taxation, during the period from 1 January 2024 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 diffenence.

12. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Long-term deposits for issuance of notes payable	**20,000**	20,000
Long-term deposits for finance lease arrangement	**10,500**	7,500
Deposits for purchase of land use rights	**3,035**	2,559
Others	**5,422**	6,082
	38,957	36,141

13. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Raw materials	**2,590,576**	2,747,891
Finished goods and work-in-progress	**1,231,130**	1,204,867
	3,821,706	3,952,758

The cost of materials recognised as cost of goods sold amounting to approximately RMB44,369,426,000 (2023: RMB48,226,616,000) (Note 28).

The Group made provision for inventory write-down of approximately RMB17,854,000 during the year ended 31 December 2024 (2023: RMB43,668,000) (Note 28). 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). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

14. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 31 December 2024			As at 31 December 2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	**6,316**	**5,671**	**11,987**	37,392	14,085	51,477
Accounts receivable	**448,919**	**–**	**448,919**	444,204	–	444,204
Notes receivable						
– bank acceptance notes	**–**	**–**	**–**	5,000	–	5,000
	455,235	**5,671**	**460,906**	486,596	14,085	500,681
Less: provision for impairment	**(40,697)**	**(20)**	**(40,717)**	(24,004)	(207)	(24,211)
	414,538	**5,651**	**420,189**	462,592	13,878	476,470

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

As at 31 December 2024, none of bank acceptance notes were pledged as security for notes payable (2023: RMB5,000,000) (Note 24).

Majority of the Group's sales are made on (i) cash on delivery, (ii) receipt of bank or commercial acceptance. Credit terms within 180 days are granted to certain long term customers with good credit history. As at 31 December 2024, the aging analysis of trade receivables based on the date of relevant invoices was as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables		
– within 30 days	**243,995**	243,898
– 30 days to 3 months	**119,878**	74,754
– 3 months to 6 months	**22,595**	43,183
– 6 months to 1 year	**15,293**	53,250
– 1 year to 2 years	**31,648**	15,700
– over 2 years	**15,510**	13,419
	448,919	444,204
Notes receivable		
– 3 months to 6 months	**–**	5,000
	448,919	449,204

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

As at 31 December 2024, the aging of the provision for impairment of trade receivables and contract assets was as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Provision for impairment of trade receivables		
– within 1 year	**5,421**	11,798
– 1 year to 2 years	**21,517**	2,939
– over 2 years	**13,736**	8,719
	40,674	23,456
Provision for impairment of contract assets		
– maturity within 1 year	**23**	548
– maturity from 1 year to 2 years	**20**	207
	43	755
	40,717	24,211

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	
	2024	2023
	RMB'000	*RMB'000*
At 1 January	**24,211**	12,772
Provision for trade receivables and contract assets *(Note 28)*	**16,737**	11,521
Written off as uncollectible	**(231)**	(82)
At 31 December	**40,717**	24,211

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.

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB	**402,160**	438,243
USD	**48,495**	57,259
EUR	**10,251**	5,179
	460,906	500,681

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Prepayment for purchase of raw materials	**914,467**	1,060,333
Discounted interest for notes receivable	**20,912**	21,757
Value-added tax recoverable	**110,886**	44,561
Export tax refundable	**471**	4,191
Deposits and other receivables	**28,934**	30,677
	1,075,670	1,161,519

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

Deposits and other receivables are mainly denominated in RMB.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bank acceptance notes	**41,287**	53,903
Commercial acceptance notes	**8,475**	5,137
	49,762	59,040

17. RESTRICTED BANK DEPOSITS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Deposits for issuing notes payable	**1,193,086**	899,498
Deposits for issuing letters of credit	**240,128**	356,234
Deposits for bank borrowings	**26,000**	–
Deposits for purchasing property, plant and equipment under project loan facility	**25,436**	25,436
Deposits for issuing letters of guarantee	**978**	14,651
Other deposits	**5,921**	5,218
	1,491,549	1,301,037

The restricted bank deposits are denominated mainly in RMB.

As at 31 December 2024, the weighted average interest rate on restricted bank deposits was 1.49% (2023: 1.59%) per annum, and these deposits have an approximate average maturity of 121 days (2023: 120 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.

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	
	2024	2023
	RMB'000	*RMB'000*
RMB	**115,177**	217,788
USD	**34,811**	34,254
EUR	**2,018**	10,353
HKD and JPY	**1,885**	2,916
	153,891	265,311

As at 31 December 2024, cash at bank included demand deposits and the weighted average interest rate was 0.12% (2023: 0.17%) per annum.

The maximum exposure to credit risk at the reporting date was 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	*HKD'000*	*RMB'000*
As at 31 December 2023 and 2024 (ordinary shares of HKD0.10 each)	1,500,000	150,000	128,886

	Issued and fully paid up		
	Number of shares		
	'000	*HKD'000*	*RMB'000*
Balance at 1 January 2023 and 31 December 2023 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041
Balance at 1 January 2024 and 31 December 2024 (ordinary shares of HKD0.10 each)	1,274,528	127,453	109,041

20. SHARE-BASED PAYMENTS

(a) Share option schemes

As approved by the Board of Directors' meeting on 23 December 2014, 16,750,000 share options were granted to a director and certain employees at an exercise price of HKD2.364 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2024		2023	
	Average exercise price in HKD per share	**Number of options *('000)***	Average exercise price in HKD per share	Number of options *('000)*
At 1 January	**2.364**	**12,800**	2.364	12,800
Lapsed	**2.364**	**(12,800)**	–	–
At 31 December	**–**	**–**	2.364	12,800

Details of share options outstanding at the end of year were as follows:

Exercisable from	**Expiry date**	**Exercise price in HKD per share**	**Number of options ('000)**	
			2024	2023
23 December 2017	22 December 2024	2.364	**–**	5,120
23 December 2018	22 December 2024	2.364	**–**	3,840
23 December 2019	22 December 2024	2.364	**–**	3,840
			–	12,800

20. SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option schemes (continued)

The weighted average fair value of options granted in 2014 determined by using the Binomial Model was HKD1.09 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 48%, expected dividend yield of 0.8% and risk-free interest rate of 1.82%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date.

The expected volatility measured at the standard deviation of expected share price return is based on statistical analysis of historical share prices of the listed companies with similar business to the Group. The expected dividend yield is measured based on the dividend yield per companies with similar business as projected by Bloomberg, which agrees to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

(b) Share award schemes

Pursuant to a Board of Directors' resolution dated 25 August 2011, the Board approved the adoption of a Share Award Scheme (the "Scheme") under which shares of the Company may be awarded to selected employees in accordance with its provisions.

No share of the Company's existing ordinary shares have been purchased during the year ended 31 December 2024 (2023: nil). As at 31 December 2024, the number of shares held for the Share Award Schemes is 17,614,000 (2023: 17,614,000) shares, and the un-utilised cash balance is HKD3,023,000 (equivalent to RMB2,800,000) (2023: HKD3,153,000 (equivalent to RMB2,857,000)).

No share held for the Share Award Schemes have been granted during the year ended 31 December 2024 (2023: nil).

The fair value of the awarded shares is calculated based on the market price of the Company's shares at the respective grant date, and is charged to employee expenses in the consolidated statement of comprehensive income. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

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 2023	1,077,188	48,611	307,494	14,220	1,608,905	3,056,418
Comprehensive income						
Loss for the year and total comprehensive loss	–	–	–	–	(219,068)	(219,068)
Transaction with owners						
Appropriation to statutory reserves	–	–	12,842	–	(12,842)	–
Acquisition of non-controlling interest	(3,899)	–	–	–	–	(3,899)
Total transaction with owners	(3,899)	–	12,842	–	(12,842)	(3,899)
Balance at 31 December 2023	1,073,289	48,611	320,336	14,220	1,376,995	2,833,451

	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 *(Note 20(a))*	**–**	**–**	**–**	**(21,383)**	**21,383**	**–**
Total 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**

21. RESERVES (CONTINUED)

(a) Merger reserves

Merger reserves of the Group represent the nominal value of the paid-up share capital of the companies now comprising the Group, after elimination of intra-group investments.

(b) Statutory reserves

For domestic enterprises: in accordance with the Company Law and the Company's Articles of Association, the company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit for the years ended 31 December 2024 and 2023 to the statutory surplus reserve.

For foreign investment enterprises: in accordance with the Foreign Investment Law of the People's Republic of China, the Articles of Association of those subsidiaries of the Group and the resolution of the Board of Directors, for the sino-foreign joint venture subsidiaries in the PRC, the appropriation for the reserve fund is 5% of the statutory net profits of the year for the years ended 31 December 2024 and 2023. And for the exclusively foreign-owned subsidiary in the PRC, the appropriation for the reserve fund is 10% of the statutory net profits of the year for the years ended 31 December 2024 and 2023.

(c) 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)).

22. TRADE PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Accounts payable	**707,299**	647,959
Notes payable	**374,758**	60,000
	1,082,057	707,959

The notes payable as at 31 December 2024 of RMB374,758,000 was secured by restricted bank deposits of approximately RMB149,472,000 (2023: The notes payable as at 31 December 2023 of RMB60,000,000 was secured by restricted bank deposits of approximately RMB30,000,000) (Note 17).

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 6 months	**972,012**	688,721
6 months to 1 year	**106,862**	12,951
1 year to 2 years	**2,883**	6,184
More than 2 years	**300**	103
	1,082,057	707,959

Trade payables were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
RMB	**1,026,134**	679,517
USD	**49,513**	24,448
EUR	**6,410**	3,994
	1,082,057	707,959

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

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**162,308**	210,354
Salaries payable	**86,545**	128,624
Value-added tax payable	**37,927**	103,629
Pension and other social welfare payables	**55,444**	54,185
Other taxes payable	**30,969**	37,970
Accruals and others	**168,408**	158,150
	541,601	692,912
Less: non-current portion of payables for purchase of property, plant and equipment	**(28,149)**	(32,939)
	513,452	659,973

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	
	2024	2023
	RMB'000	*RMB'000*
RMB	**514,342**	658,148
EUR	**25,215**	31,221
USD and JPY	**2,044**	3,543
	541,601	692,912

24. BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Non-current		
Bank borrowings	**1,583,709**	1,934,381
Borrowing under finance lease arrangement	**75,667**	34,154
	1,659,376	1,968,535
Current		
Bank borrowings	**5,568,434**	5,207,616
Borrowing under finance lease arrangement	**84,424**	92,574
Other loans	**–**	90,000
	5,652,858	5,390,190
Total borrowings	**7,312,234**	7,358,725
Representing:		
Bank borrowings		
– secured *(a)*	**2,644,449**	2,646,912
– guaranteed *(b)*	**–**	19,980
– unsecured	**4,507,694**	4,475,105
Finance lease arrangement *(c)*	**160,091**	126,728
Other loans, unsecured *(d)*	**–**	90,000
	7,312,234	7,358,725

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 2024 amounted to RMB1,834,875,000 (2023: RMB1,939,231,000) which were secured by the pledge of restricted bank deposits amounting to RMB1,278,450,000 (2023: RMB1,236,234,000)(Note 17) and non-current asset amounting to RMB20,000,000 (2023: RMB20,000,000)(Note 12).

The secured bank borrowings of RMB78,935,000 (2023: none) were secured by the pledge of restricted bank deposits of 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 2024. As at 31 December 2024, the borrowings from the project loan facilities amounted to RMB730,639,000 (2023: RMB707,681,000). 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) As at 31 December 2024, none of bank borrowings were guaranteed (2023: bank borrowing of RMB19,980,000 were guaranteed by a finance leasing company).

(c) Finance lease arrangements are repayable by instalment and carry interest at 4.53% to 8.27% (2023: 5.14% to 8.27%) per annum (Note 6, 12).

(d) Other loans were borrowed from a finance company owned by a related party of the Group.

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
At fixed rates in RMB	**5,508,470**	5,892,426
At fixed rates in USD	**18,059**	26,178
	5,526,529	5,918,604
At floating rates in RMB	**1,785,705**	1,440,121
	7,312,234	7,358,725

24. BORROWINGS (CONTINUED)

The weighted average effective interest rates per annum at 31 December 2024 was 2.88% (2023: 3.27%) per annum.

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

	Bank borrowings		Borrowings under finance lease arrangement		Other loan	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**5,568,434**	5,207,616	**84,424**	92,574	**–**	90,000
Between 1 and 2 years	**937,849**	1,332,525	**56,714**	31,379	**–**	–
Between 2 and 5 years	**597,860**	514,689	**18,953**	2,775	**–**	–
Over 5 years	**48,000**	87,167	**–**	–	**–**	–
	7,152,143	7,141,997	**160,091**	126,728	**–**	90,000

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

25. DEFERRED GOVERNMENT GRANTS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Deferred government grants	**126,898**	132,010

The movement of the deferred government grants was as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Balance at 1 January	**132,010**	130,398
Granted during the year	**7,796**	14,202
Recognised in the consolidated statement of comprehensive income *(Note 26)*	**(12,908)**	(12,590)
Balance at 31 December	**126,898**	132,010

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 (2023: 10 to 30 years).

26. OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Government subsidy income	**18,722**	32,642
Sales of scraps and packaging materials	**15,497**	16,223
Amortisation of deferred government grants *(Note 25)*	**12,908**	12,590
Rental income from investment properties *(Note 8)*	**1,286**	1,331
Others	**8,900**	6,438
	57,313	69,224

27. OTHER GAIN/(LOSS) – NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment – net *(Note 34(b))*	**(707)**	(684)
Foreign exchange gain/(loss) – net	**9,854**	(8,286)
Others	**(4,741)**	(3,424)
Other gain/(loss) – net	**4,406**	(12,394)

28. EXPENSES BY NATURE

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(42,540)**	(84,413)
Raw materials consumed	**44,411,966**	48,311,029
Outsourced processing cost	**129,290**	132,630
Stamp duty, property tax and other surcharges	**76,384**	81,037
Transportation costs	**283,446**	278,251
Employee benefit expenses, including directors' emoluments *(Note 29)*	**1,108,236**	1,089,907
Depreciation and amortisation		
– Depreciation of property, plant and equipment *(Note 6)*	**426,963**	413,925
– Depreciation of right-of-use assets *(Note 7)*	**18,864**	19,208
– Depreciation of investment properties *(Note 8)*	**267**	149
– Amortisation of intangible assets *(Note 9)*	**5,496**	5,120
Operating lease rental for buildings and equipments	**5,344**	5,340
Utilities charges	**88,311**	85,252
Provision for write-down of inventories *(Note 13)*	**17,854**	43,668
Provision for impairment of trade receivables and contract assets *(Note 14)*	**16,737**	11,521
Auditors' remuneration		
– Audit services	**2,610**	3,100
– Non-audit services	**199**	169
Entertainment and travelling expenses	**48,765**	58,949
Bank charges	**28,457**	37,286
Others	**85,066**	95,202
	46,711,715	50,587,330

29. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**1,047,495**	1,077,701
Pension – defined contribution plans *(a)*	**60,741**	12,206
	1,108,236	1,089,907

(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 2023 and 2024, 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 Group has arranged for its Hong Kong employees to join the MPF Scheme in Hong Kong, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the relevant entities within the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HKD18,000 during the year ended 31 December 2024, and thereafter contributions are voluntary.

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 2024, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2023: nil), leaving none available amount at the year-end to reduce future contributions.

30. FINANCE COSTS – NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses on borrowings	**208,105**	205,435
Interest expenses on bank/commercial acceptance notes and letters of credit	**97,498**	90,390
Exchange loss – net	**250**	604
	305,853	296,429
Less: amounts capitalised on qualifying assets *(Note 6)*	**(19,174)**	(22,058)
Total finance costs	**286,679**	274,371
Finance income:		
Interest income on bank deposits	**(44,838)**	(36,526)
Finance costs – net	**241,841**	237,845

31. INCOME TAX CREDIT

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
– Mainland China corporate income tax	**23,832**	32,211
Deferred income tax *(Note 11)*	**(77,221)**	(50,000)
	(53,389)	(17,789)

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.

31. INCOME TAX CREDIT (CONTINUED)

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% (2023: 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% (2023: 25%) for the year 2024.

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% (2023: 15%) for the year ended 31 December 2024. The qualification of High New Tech Enterprises is subject to renewal for each three years intervial. In 2023, Daming Heavy Industry has renewed its qualification of High New Tech Enterprises.

31. INCOME TAX CREDIT (CONTINUED)

Reconciliation of tax expense and the accounting profit multiplied by tax rate fot 2024 and 2023:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Loss before income tax	**(438,528)**	(208,282)
Income tax calculated at tax rates applicable to profits of the respective subsidiaries	**(95,209)**	(38,513)
Expenses not deductible for tax purpose	**4,903**	4,973
Withholding tax	**–**	(8,582)
Extra deductions from research and development expenditures	**(1,391)**	(2,343)
Tax losses for which no deferred income tax asset was recognised	**42,125**	37,130
Prior year tax filing difference and others	**(3,817)**	(10,454)
Income tax credit in the statement of profit or loss	**(53,389)**	(17,789)
The weighted average applicable tax rates	**21.71%**	18.49%

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 Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

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	
	2024	2023
Loss attributable to shareholders of the Company *(RMB'000)*	**(414,579)**	(219,068)
Weighted average number of ordinary shares in issue *(thousands)*	**1,274,528**	1,274,528
Basic loss per share *(RMB per share)*	**(0.33)**	(0.17)

(b) Diluted

As the Group incurred losses for the year ended 31 December 2024 and 2023, 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 2024 and 2023 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 2024 (2023: nil).

No dividend was paid in the year ended 31 December 2024 (2023: nil).

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Loss before income tax	**(438,528)**	(208,282)
Adjustments for:		
– depreciation and amortisation *(Note 28)*	**451,590**	438,402
– amortisation of deferred income *(Note 25)*	**(12,908)**	(12,590)
– losses on disposal of property, plant and equipment *(Note 27)*	**707**	684
– provision for impairment of trade receivables and contract assets *(Note 14)*	**16,737**	11,521
– provision for write-down of inventories *(Note 13)*	**17,854**	43,668
– interest income *(Note 30)*	**(44,838)**	(36,526)
– finance costs *(Note 30)*	**286,461**	273,129
	277,075	510,006
Changes in working capital:		
– (increase)/decrease in restricted bank deposits	**(148,296)**	23,874
– decrease/(increase) in trade receivables and contract assets, prepayments, deposits and other receivables	**196,083**	(35,936)
– increase in contract liabilities	**14,094**	4,822
– decrease/(increase) in inventories	**113,198**	(477,988)
– increase in trade payables, accruals and other payables	**252,035**	326,497
Cash generated from operations	**704,189**	351,275

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

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Net book amount *(Note 6)*	**1,139**	2,126
Losses on disposal of property, plant and equipment *(Note 27)*	**(707)**	(684)
Proceeds from disposal of property, plant and equipment	**432**	1,442

(c) Reconciliation of liabilities arising from financing activities:

	Borrowings	Restricted bank deposits	Other non-current assets	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	7,358,725	(1,261,671)	(27,500)	9,457	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	7,312,234	(1,303,887)	(30,500)	3,697	5,981,544

35. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of property, plant and equipment	**139,630**	194,679

36. 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 2024:

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

36. 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	
	2024	2023
	RMB'000	*RMB'000*
(i) Loans from a related party		
Continuing connected transactions		
China Baowu		
– Loans from	**580,000**	379,000
– Repayments to	**(670,000)**	(409,000)

Loans form 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.

	2024	2023
(ii) Purchase of steel from a related party		
Continuing connected transactions		
China Baowu	**16,933,477**	18,765,845
(iii) Sales of processed metallic goods and processing services by the Group to a related party		
Continuing connected transactions		
China Baowu	**120,276**	435,597

36. 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	
	2024	2023
	RMB'000	*RMB'000*
China Baowu		
Due from:		
(i) Trade receivables		
– Receivables for providing goods and services	**4,732**	5,053
(ii) Prepayments		
– Prepayments for purchase of steel	**205,362**	186,534
Due to:		
(iii) Advance receipts from customers		
– Advance receipts from customers for sales of steel	**23**	190
(iv) Trade payables		
– Payables for purchase of steel	**4,581**	2,009
(v) Borrowings – other loans		
– Loans borrowed from	**–**	90,000

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

As at 31 December 2024, the balances with related parties were unsecured, non-interest bearing and repayable on demand except that the loans from China Baowu which bore interest at an average interest rate of approximately 3.67% (2023: 3.94%) per aunnum had been repaid during the year ended 31 December 2024 according to terms of the loans.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2024	2023
	RMB'000	*RMB'000*
Salaries, bonus and other welfares	**13,612**	11,902
Pension – defined contribution plans	**252**	145
	13,864	12,047

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**942,656**	942,656
Due from subsidiaries	**1,093,741**	1,077,885
	2,036,397	2,020,541
Current assets		
Prepayment, deposits and other receivables	**191**	–
Cash and cash equivalents	**165**	275
	356	275
Total assets	**2,036,753**	2,020,816
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	**109,041**	109,041
Reserves *(Note (a))*	**1,927,556**	1,911,437
Total equity	**2,036,597**	2,020,478
LIABILITIES		
Current liabilities		
Accruals and other payables	**156**	338
Total liabilities	**156**	338
Total equity and liabilities	**2,036,753**	2,020,816

The balance sheet of the Company was approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Zhou Keming	**Zou Xiaoping**
Director	*Director*

37. 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 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 *(Note 20(a))*	–	–	**(21,383)**	**21,383**	–
Balance at 31 December 2024	**1,077,188**	**921,264**	**(35,024)**	**(35,872)**	**1,927,556**
Balance at 1 January 2023	1,077,188	921,264	(13,641)	(81,707)	1,903,104
Comprehensive income					
Profit for the year and total comprehensive income	–	–	–	8,333	8,333
Balance at 31 December 2023	1,077,188	921,264	(13,641)	(73,374)	1,911,437

(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.

38. 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 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
Excutive directors						
– 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
Non-excutive directors						
– Mr. Lu Jian	–	–	–	–	–	–
– Mr. Lu Gang *(ii)*	–	–	–	–	–	–
– Mr. Zhu Baomin *(ii)*	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Cheuk Wa Pang	330	–	–	–	–	330
– Mr. Hu Xuefa	330	–	–	–	–	330
– Mr. Chen Xin	330	–	–	–	–	330
– Mr. Wang Liuqi *(i)*	179	–	–	–	–	179
– Prof. Hua Min *(ii)*	330	–	–	–	–	330
	1,499	–	–	–	–	1,499
	3,837	6,855	1,534	235	104	12,565

(i) Persuant 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) Persuant 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.

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2023

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*
Excutive directors						
– Mr. Zhou Keming	324	984	80	22	16	1,426
– Ms. Xu Xia	324	810	67	16	–	1,217
– Mr. Zou Xiaoping	324	924	80	22	16	1,366
– Mr. Zhang Feng	324	948	578	25	16	1,891
– Mr. Ni Chen	324	921	568	21	16	1,850
– Mr. Qian Li	324	908	372	22	16	1,642
	1,944	5,495	1,745	128	80	9,392
Non-excutive directors						
– Mr. Zhu Baomin	–	–	–	–	–	–
– Mr. Lu Jian	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Cheuk Wa Pang	324	–	–	–	–	324
– Prof. Hua Min	324	–	–	–	–	324
– Mr. Lu Daming *(i)*	81	–	–	–	–	81
– Mr. Hu Xuefa	324	–	–	–	–	324
– Prof. Chen Xin	324	–	–	–	–	324
	1,377	–	–	–	–	1,377
	3,321	5,495	1,745	128	80	10,769

(i) Persuant to a board resoluation dated 29 March 2023 and with immediate effect, Mr. Lu Daming resigned as an independent non-executive director of the Company.

No directors of the Company waived any emolument for the years ended 31 December 2024 and 2023.

For the years ended 31 December 2024 and 2023, no emoluments was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office.

38. 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 ended 31 December 2024 include five (2023: three) directors whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments payable to the remaining two individuals during 2023 are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Basic salaries, housing allowances, persion and other social welfare	–	6,199

The emoluments fell within the following bands:

	Year ended 31 December	
	2024	2023
	Number of individuals	
Emolument bands		
HK$2,000,001 – HK$2,500,000	–	1
HK$4,000,001 – HK$4,500,000	–	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.

39. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

39.1 Subsidiaries

39.1.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 acticities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

Inter-Group 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. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(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 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 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.

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

39.1 Subsidiaries (continued)

39.1.2 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.

39.2 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.

39.3 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 and cash and cash equivalents 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'.

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

39.3 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).

39.4 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.

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

39.5 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.

39.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

39.7 Financial assets – loans and receivables

(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.

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

39.7 Financial assets – loans and receivables (continued)

(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.

(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.

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

39.7 Financial assets – loans and receivables (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 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.

39.8 Derivatives

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other (loss)/gain.

39.9 Trade and other receivables

Trade receivables and contract assets are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 14 for further information about the Group's accounting for trade receivables and contract assets.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

39.10 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.

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

39.11 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.

39.12 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.

39.13 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.

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

39.13 Borrowings (continued)

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.

39.14 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.

39.15 Current and deferred income tax

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.

(a) Current income tax

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 establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

39.15 Current and deferred income tax (continued)

(b) *Deferred income tax*

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.

(c) *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.

39.16 Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HKD1,500 per person per month, and any excess contributions are voluntary.

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

39.16 Pension obligations (continued)

In accordance with the rules and regulations in the Mainland China, the Group has arranged for its employees from Mainland China to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 29(a) of this section. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group and proved by relevant the PRC authorities (the "Annuity Plan"). The Group and its employees are required to make monthly contribution a certain percentage of the employee's earning depending on employee's rank of position. The contribution is charged to profit or loss when it is incurred.

The Group's contributions to the defined contribution retirement benefit plans are expensed in the consolidated statement of comprehensive income as incurred. The Group has no further payment obligations once the contributions have been paid.

There were no forefeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

39.17 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.

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

39.17 Share-based payments (continued)

(a) Equity-settled share-based payment transactions (continued)

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.

(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.

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

39.18 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.

39.19 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.

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

39.20 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).

39.21 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.

39.22 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.

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

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

39.22 Leases (continued)

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.

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

39.22 Leases (continued)

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

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

- the amount of the initial measurement of lease liability, and

- any lease payments made at or before the commencement date less any lease incentives received

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.

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	RMB'000	*RMB'000*
RESULTS					
Revenue	**46,453,309**	50,560,063	50,122,319	46,345,417	35,133,102
Gross profit	**685,686**	921,534	908,633	1,827,209	1,433,802
Operating (loss)/profit	**(196,687)**	29,563	38,933	961,233	709,787
(Loss)/Profit for the year	**(385,139)**	(190,493)	(158,833)	527,567	385,811
Attributable to:					
Shareholders of the Company	**(414,579)**	(219,068)	(178,302)	495,044	347,979
Non-controlling interests	**29,440**	28,575	19,469	32,523	37,832
	(385,139)	(190,493)	(158,833)	527,567	385,811
ASSETS, LIABILITIES AND EQUITY					
Total assets	**12,970,475**	13,188,882	12,778,027	11,958,434	10,769,366
Total liabilities	**(10,105,677)**	(9,907,634)	(9,273,342)	(8,209,041)	(7,453,405)
	2,864,798	3,281,248	3,504,685	3,749,393	3,315,961
Equity attributable to shareholders of the Company	**2,527,913**	2,942,492	3,165,459	3,409,111	2,960,236
Non-controlling interests	**336,885**	338,756	339,226	340,282	355,725
Total equity	**2,864,798**	3,281,248	3,504,685	3,749,393	3,315,961