



®

德 基 科 技

D&G TECHNOLOGY

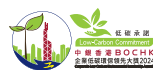
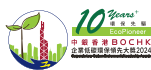
D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



2025 Annual Report



CONTENTS

Corporate Information	2
Five Year Financial Summary	3
Chairman's Statement	4
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	20
Corporate Governance Report	26
Report of the Directors	42
Sustainability Highlights	51
Independent Auditor's Report	56
Consolidated Statement of Profit or Loss	60
Consolidated Statement of Comprehensive Income	61
Consolidated Statement of Financial Position	62
Consolidated Statement of Changes in Equity	64
Consolidated Statement of Cash Flows	65
Notes to the Consolidated Financial Statements	66

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Choi Kwan Li, Glendy

(Chairman and Chief Executive Officer)

(Appointed on 23 June 2025)

Mr. Choi Hon Ting, Derek

Mr. Liu Tom Jing-zhi

Mr. Lao Kam Chi

Mr. Choi Hung Nang *(Chairman) (Resigned on 23 June 2025)*

Non-Executive Directors

Mr. Chan Lewis

Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

Mr. O'Yang Wiley

Mr. Lee Wai Yat, Paco

Ms. Hu Bingbing *(Appointed on 1 September 2025)*

Mr. Fok Wai Shun, Wilson *(Resigned on 1 September 2025)*

Mr. Li Zongjin *(Resigned on 23 June 2025)*

Audit Committee

Mr. O'Yang Wiley *(Chairman)*

Mr. Lee Wai Yat, Paco

Ms. Hu Bingbing *(Appointed on 1 September 2025)*

Mr. Fok Wai Shun, Wilson *(Resigned on 1 September 2025)*

Mr. Li Zongjin *(Resigned on 23 June 2025)*

Remuneration Committee

Ms. Choi Kwan Li, Glendy

Mr. O'Yang Wiley

Ms. Hu Bingbing *(Chairman)*

(Appointed on 1 September 2025)

Mr. Fok Wai Shun, Wilson *(Chairman)*

(Resigned on 1 September 2025)

Nomination Committee

Mr. Lee Wai Yat, Paco *(Chairman, appointed Chairman on 23 June 2025, existing member prior to appointment)*

Ms. Choi Kwan Li, Glendy *(Appointed on 30 June 2025)*

Mr. O'Yang Wiley *(Appointed on 23 June 2025)*

Mr. Choi Hon Ting, Derek *(Appointed on 23 June 2025 and resigned on 30 June 2025)*

Mr. Choi Hung Nang *(Chairman) (Resigned on 23 June 2025)*

Mr. Li Zongjin *(Resigned on 23 June 2025)*

Risk Management Committee

Ms. Choi Kwan Li, Glendy *(Chairman)*

Mr. Liu Tom Jing-zhi

Mr. O'Yang Wiley

Ms. Hu Bingbing *(Appointed on 1 September 2025)*

Mr. Fok Wai Shun, Wilson *(Resigned on 1 September 2025)*

Mr. Yeung Tsz Kit Alban *(Resigned on 1 September 2025)*

Company Secretary

Mr. Fok Wai Shun, Wilson *(Appointed on 1 September 2025)*

Mr. Yeung Tsz Kit Alban *(Resigned on 1 September 2025)*

Authorised Representatives

Ms. Choi Kwan Li, Glendy

Mr. Fok Wai Shun, Wilson *(Appointed on 1 September 2025)*

Mr. Yeung Tsz Kit Alban *(Resigned on 1 September 2025)*

Registered Office

Cricket Square,

Hutchins Drive, PO Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong

7/F, Hing Lung Commercial Building,

68-74 Bonham Strand, Sheung Wan,

Hong Kong

Principal Place of Business in the PRC

No.12 Yinghua Road, Yongqing Industrial Park,

Yongqing County, Langfang City, Hebei Province,

PRC

Hong Kong Branch Share Registrar

Tricor Investor Services Limited

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

Cricket Square,

Hutchins Drive,

PO Box 2681,

Grand Cayman, KY1-1111,

Cayman Islands

Auditor

PricewaterhouseCoopers

Certified Public Accountant and Registered PIE auditor

Legal Advisor

MinterEllison LLP

Principal Bankers

Bank of Cangzhou Co., Ltd

Industrial Bank Co., Ltd.

Nanyang Commercial Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Company Website

www.dgtechnology.com

FIVE YEAR FINANCIAL SUMMARY

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Results					
Revenue	377,309	370,559	277,861	345,387	429,203
Gross Profit	127,760	123,877	85,264	103,861	140,421
(Loss)/profit attributable to owners of the Company for the year	(15,984)	4,413	(23,864)	(40,788)	10,663
Assets, Liabilities and Equity					
Total assets	740,369	737,678	777,127	858,098	919,629
Total liabilities	(196,123)	(172,399)	(173,605)	(232,363)	(252,439)
Total equity	544,246	565,279	603,522	625,735	667,190

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the board of directors (the "Board") of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report for the year ended 31 December 2025 (the "Year").

2025 represents a tale of two halves, marked by strong demand in China and ongoing uncertainties in the overseas market. While the international market was characterised by rising geopolitical tensions, varying economic performances, and evolving trade dynamics, the domestic market was supported by solid demand, though remained highly competitive. On the one hand, as China successfully concluded its 14th Five-Year Plan and transitions to a new phase of development under the 15th Five-Year Plan. With the construction of the national integrated transportation network, being one of the key focuses, we saw ongoing demand from transportation infrastructure development, road maintenance, and other upgrade and rehabilitation works.

Against such backdrop, the Group was able to gain further market share, with the Group's asphalt mixing plants' revenue from Chinese Mainland recording a notable increase of 30%, while overall Group revenue rose by 1.8% year-on-year to RMB377.3 million. Supported by our accumulated expertise and diversified product offerings, we have participated in a number of landmark highway construction and maintenance projects in China, including Wuhan–Tianmen Expressway (武天高速), Reconstruction and Expansion Project of the Changfu–Jinyu (Gantuo Border) Section of the Shanghai–Kunming Expressway (昌金高速改擴建), Xichang–Ningnan Expressway (西昌到寧南高速), Bama–Qiangxu Expressway (廣西巴馬–羌圩(新建高速公路)) and Widening Project of the G4 Beijing–Hong Kong–Macau Expressway (京港澳高速四改八擴建工程). Internationally, there were also breakthroughs in Liberia, as well as other regional connectivity projects under the Belt and Road Initiative.

On the other hand, our overseas business came under short-term pressure as a result of the turbulent geopolitical and macroeconomic environment. With trade barriers and challenging logistics operations all leading to rising costs, our revenue from outside of Chinese Mainland also saw a sharp decrease of 55.1% year-on-year to RMB31.0 million, offsetting most of our gains from the domestic market. Nevertheless, we believe this does not obscure the fact that the international market remains a substantially larger arena, characterised by steadier long-term demand, faster cash conversion, lower provision risk, and generally higher margins.



Hence, the Group has identified international expansion as a key strategic priority for the future, and is targeting opportunities from Central Asia, the Middle East, Africa, Southeast Asia, and other regional connectivity projects under the Belt and Road Initiative, where infrastructure development is gaining momentum. To capture these opportunities, we are growing our overseas sales team while establishing local presence through strategic partnerships. The balanced approach is designed to drive efficient customer acquisition, limit cost exposure, and progressively diversify our revenue mix through meaningful contributions over the next five years. As we further strengthen our international footprint and application capabilities, overseas operations are expected to become a key driver of future growth.

We are also strengthening our business foundation in Chinese Mainland by tapping into county-level opportunities. As local governments continue to advance the “High-quality Rural Roads” programme and roll out new rural road improvement plans, we believe there is growing demand and unfulfilled needs beyond national initiatives. Leveraging our established market position, comprehensive product portfolio, and expanding service team, we hold clear competitive advantages in these less saturated segments. This positions us to capture additional market share and deliver robust organic growth from the domestic market.

Beyond the sales of asphalt mixing plants, we are proactively expanding our modification business. Due to the relatively heavy capital investment of new plants, customers occasionally see modification as a more efficient and economical option for satisfying their infrastructure needs. That is particularly applicable to lower-tier and county-level projects in China, as well as in overseas markets such as Australia. While promotion of its own brand remained the Group’s key priority, this trend enabled the Group to broaden its target market to the domestic installed base of other brands that are not currently served by D&G, thereby capturing business opportunities in the secondary market.

To support the distinct requirements of our China and international markets, we are increasing investments in product R&D and technological enhancements. A primary focus is the development of mobile continuous plants. While we have extensive expertise in large-scale stationary batching plants in China, mobile continuous plants offer higher mobility and cost efficiency, particularly for overseas markets where infrastructure projects are often dispersed and require flexible, transportable solutions. We are also investing in improving our product adaptability and cost efficiency for small-to-medium-sized projects, which could see significant demand from county-level projects in China. Along with the development of combustion technologies, sustainable energy solutions, and AI capabilities, we strive to address evolving market needs across geographical boundaries.

CHAIRMAN'S STATEMENT

Financially, we do recognise the importance of strengthening our internal controls, with particular emphasis on inventory management and receivables collection. With the support of external consultants, we are in the process of optimising our inventory procurement schedule, safety stock levels, and assembly procedures to build a more demand-driven supply chain and enhance inventory utilisation. These initiatives aim to improve profitability, providing us with the financial flexibility and resources needed to stay competitive and respond swiftly to an ever-changing macroeconomic environment.

By combining the aforesaid initiatives, we believe we have laid a solid foundation for sustainable growth. I would like to express my sincere gratitude to the management team and all employees for their hard work and dedication throughout the Year. I would also like to thank our shareholders, investors, customers, and business partners for their continued trust and support. Looking ahead, we will firmly advance our strategic initiatives, and strive to deliver sustainable long-term value for our shareholders.

Choi Kwan Li, Glendy

Chairman

27 March 2026

Business Review

General Review

For the year ended 31 December 2025 (the “Year”), D&G Technology Holding Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) continued to maintain leading position in the road construction and maintenance machinery industry, supported by our strong presence in the People’s Republic of China (the “PRC”, “China”, or “Chinese Mainland”) and an expanding footprint in overseas markets. The Group remained focused on providing smart road construction and conservation solutions, offering a comprehensive product portfolio that includes asphalt mixing plants of varying scales and recycled asphalt pavement (RAP) crushing equipment. In addition to new plant sales, the Group also provides modification services to existing facilities, integrating advanced recycling and environmental protection functions such as bitumen foaming devices for warm mix asphalt and upgrading traditional AMP with RAP feeding and recycling modules to enable hot and warm mix asphalt production using reclaimed materials. This diversified offering reflects the Group’s commitment to innovation, sustainability, and operational efficiency, allowing it to meet the evolving needs of infrastructure development.

The Group’s product portfolio is divided into two major categories of asphalt mixing plants: conventional hot-mix asphalt mixing plants (“Conventional Plants”) and recycling hot-mix asphalt mixing plants (“Recycling Plants”). Conventional Plants are widely applied in the construction and maintenance of roads and highways, providing reliable and efficient asphalt mixtures for large-scale infrastructure projects. Recycling Plants are designed to produce recycled asphalt mixtures by combining reclaimed asphalt pavement with new materials such as bitumen and aggregates, thereby achieving both resource recovery and cost reduction. This dual product mix enables the Group to serve diverse customer needs, from traditional road construction to projects emphasising sustainability and environmental protection. By integrating advanced technologies such as RAP crushing equipment, the Group is able to enhance the performance and versatility of its plants, reinforcing its competitive edge in both domestic and international markets.

During the year, China’s domestic market continued to see strong demand with the support of government-led infrastructure investments, which emphasise transportation expansion, rural road development, and green, low-carbon construction practices. China’s transportation sector is still expanding at a global-leading scale in 2025, with expressway mileage exceeding 190,000 kilometres and national highway network exceeding 5.49 million kilometres this year. These achievements have highlighted the long-term demand for advanced road construction and maintenance equipment, as well as the Chinese government’s commitment to strengthening connectivity and modernising its national transportation system. As a result, the Group actively aligned its strategy with government priorities, particularly through its development and upgrades of Recycling Plants, which complement the Ministry of Transport’s November 2025 policy shift toward optimising existing assets and promoting smart, low-carbon technologies. Beyond policy alignment, the Group had also strengthened its domestic position through county-level market penetration, supported by expanding sales and servicing team and proactive project acquisitions. The rising underlying demand, the expanding product portfolio, and the growing servicing network have essentially laid a solid foundation for the Group’s growing market share in China.

Regarding its overseas venture, the Group’s overseas sales recorded a decline during the year, largely due to growing geopolitical risks and trade uncertainties. Despite the short-term fluctuations, the Group continued to see the international market as a much larger marketplace, with diversified and stable product demand, quicker receivable turnover, lower provision risk, and higher margins. Hence, to accelerate business growth, the Group is targeting to raise its overseas sales to a meaningful level in the next five years, through our dedicated overseas sales personnel and strategic partnerships with local distributors.

Notable breakthroughs have already been made in Saudi Arabia, where the Group has secured sales through an established local partner during the year, marking its entry into the Middle East. The Group is also targeting regions in Central Asia, Africa, and Southeast Asia, where infrastructure investment is accelerating. These initiatives align closely with the Belt and Road strategy, which continues to drive cross-border connectivity and create demand for advanced road construction technologies.

MANAGEMENT DISCUSSION AND ANALYSIS

With strong domestic sales offsetting the short-term weakness from the overseas market, the Group has completed 34 sales contracts of asphalt mixing plants during the year. The Group completed several landmark highway construction projects in the PRC, including Wuhan–Tianmen Expressway (武天高速), Reconstruction and Expansion Project of the Changfu–Jinyu (Gantuo Border) Section of the Shanghai–Kunming Expressway (昌金高速改擴建), Xichang–Ningnan Expressway (西昌到寧南高速), Bama–Qiangxu Expressway (廣西巴馬—羌圩(新建高速公路)) and Widening Project of the G4 Beijing–Hong Kong–Macau Expressway (京港澳高速四改八擴建工程). Internationally, there were also breakthroughs in Liberia, as well as other regional connectivity projects under the Belt and Road Initiative.

In addition to the sales of asphalt mixing plants, the Group recorded increasing demand for its modification services during the year. With downstream customers becoming more price-sensitive, modifications and upgrades were, in some cases, regarded as a more economical means of meeting infrastructure needs. While promotion of its own brand remained the Group's key priority, this trend enabled the Group to broaden its target market to the domestic installed base of other brands that are not currently served by D&G, thereby capturing business opportunities in the secondary market.

Overall, the Group has achieved stable revenue performance during the year, with revenue increasing by 1.8% year-on-year to RMB377.3 million (2024: RMB370.6 million). In line with the growth in revenue, gross profit increased by 3.1% year-on-year to RMB127.8 million (2024: RMB123.9 million), with gross profit margin improving by 0.5 percentage points to 33.9% (2024: 33.4%), as a result of improved product mix and better cost control over key raw materials. Along with rising distribution costs which arose from contract-specific logistics and service costs, the Group reported a loss for the Year of RMB16.0 million (2024: profit for the year of RMB4.4 million).

Innovation and Research and Development (“R&D”)

Innovation and research remain at the heart of the Group's strategy, and 2025 marked a year of significant progress in product development. The Group has placed particular emphasis on combustion technology, recognising its critical role in both environmental compliance and operational efficiency. New combustion systems have been designed to optimise fuel use, reduce emissions, and meet increasingly stringent regulatory standards. By embedding combustion upgrades into both new plants and modification services, the Group is able to provide tangible cost savings and sustainability benefits to its customers, thus reinforcing its leadership in green road construction solutions.

In addition, the Group is also working on sustainable energy solutions to further boost the performance of its asphalt plants. While still in its early-stage development, the move aims to enhance energy efficiency, reduce carbon footprints, and support the transition toward greener infrastructure.

Alongside the combustion and green energy innovation, the Group has also invested in AI-enabled batching plant systems, which integrate intelligent feed matching, temperature control, and energy monitoring. These systems will allow real-time optimisation of the production processes, enhancing precision, reducing waste, and improving energy efficiency. The adoption of AI technologies reflects the broader industry trend toward digitalisation and smart manufacturing, positioning the Group at the forefront of intelligent infrastructure solutions. For customers, these upgrades translate into greater reliability and compliance with evolving environmental standards, making the Group's plants more competitive in both domestic and overseas markets.

The Group is also exploring the development of mobile continuous plants, which offer higher mobility and cost efficiency. Mobile continuous plants complement the Group's established strength in large-scale stationary batching plants, which remain its core product and are valued for their superior quality control and advanced recycling capabilities. Yet, mobile continuous plants are particularly relevant for overseas markets where infrastructure projects are often dispersed and require flexible, transportable solutions. By diversifying its product mix to include both stationary and mobile solutions, the Group is able to address a wider range of customer needs and project requirements, opening new market opportunities across different geographies, laying the foundation for sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

These R&D initiatives not only highlight the Group's determination to continuously expand and improve its product offerings, they also expand the Group's potential serviceable market, strengthen its reputation for sustainability and efficiency, and ensure that these innovations reach not only our existing customers but also plant buyers and operators currently using other brands.

In line with the Group's commitment to sustainability, the energy transition and the continued expansion of our supply chain and ecosystem, on 24 March 2026, the Group formed a new company with a strategic partner, in which the Group holds a 60% equity interest. The new company will leverage on the Group's expertise in specialised machinery and sustainable solutions to initially explore and develop energy-efficient and new energy storage solutions for different industry applications.

The Group has consistently upheld its robust research and development competencies to reinforce its status as a leading market participant in the road construction and maintenance machinery sector, with an emphasis on medium to large-scale asphalt mixing plants. As at 31 December 2025, the Group owns 270 registered patents in the PRC (of which 19 were invention patents and 8 were appearance patents) and 33 software copyrights. In addition, the registration of 33 patents were pending approval as at 31 December 2025.

Marketing and Awards

The Group prioritises the marketing and promotion of its brands, products, and services, utilising a range of digital platforms, including global B2B e-commerce platforms, websites, LinkedIn, and WeChat, to enhance customer experiences and establish a strong brand presence in both domestic and international markets. During the year, the Group participated in various promotional events, technical seminars and corporate social responsibility events, including the East China Reclaimed Asphalt Mixture Mixing Equipment Technology Exchange Seminar in Changshu, Jiangsu, the Malaysia International Construction & Infrastructure Technology Exhibition (MBAM OneBuild 2025) in Kuala Lumpur, Mining Indonesia 2025 in Jakarta, the 17th China (Beijing) International Construction Machinery, Building Material Machines and Mining Machines Exhibition & Seminar (BICES 2025) and related expert salon and group standard promotion activities in Beijing, the International Technical Fair 2025 in Plovdiv, Bulgaria, the Thailand Highway Department Pavement Recycling Technology Exchange Seminar, and the 2025 Inner Mongolia Highway Maintenance High-Quality Development Forum in Hohhot.

In 2025, the Group continued to receive significant recognition for its commitment to sustainability, corporate governance and operational excellence. It was honoured at the BOCHK Corporate Lower-Carbon Environmental Leadership Awards 2024 with the "EcoChallenger", the "10 Years+ Eco-Pioneer", and the "Low-Carbon Commitment", reflecting its long-term dedication to low-carbon and environmentally responsible practices. The Group was also recognised by the Green Council at the UNSDG Achievement Awards Hong Kong 2025 with the "Sustainable Organisation Merit Award" and the "SDG Leader" awards, underscoring its alignment with the United Nations Sustainable Development Goals and its leadership in sustainable development. In Chinese Mainland, the Group obtained the "Certificate of Enterprise Credit Rating Grade AAA" from Beijing Lianxin Credit Consulting Co., Ltd., was accredited as a "Hebei Province Specialised, Sophisticated, Distinctive and Innovative SMEs", and received the "Hebei Science and Technology Achievement Certificate – Intelligent Mixing Equipment for High Content Recycled Asphalt Pavement Materials" for its intelligent mixing equipment for high-recycled-content asphalt pavement materials, which affirmed its technological innovation and industry influence. In addition, the Group received the "Hong Kong Green Awards 2025 – Corporate Green Governance Award (Corporate Vision)" and "Hong Kong Green Awards 2025 – Sustainable Performance (10 Years+)" from the Green Council, and was recognised as an "2024-2025 Outstanding Enterprises in Engineering Machinery Equipment Production and Supply" by the Guangdong Asphalt Concrete Supply Chain Association, further demonstrating its leading position and reputation in the construction machinery and green governance fields.

MANAGEMENT DISCUSSION AND ANALYSIS

ESG Development and Awards

The Group continued to strengthen its ESG framework, striving to integrate sustainability into operations and product innovation. In 2025, the Group won the Corporate Green Governance Award – Corporate Vision at the Hong Kong Green Awards for the tenth consecutive year, reflecting its dedication in pursuing sustainability and governance excellence. The award is widely regarded as a benchmark for corporate responsibility in Hong Kong, and its repeated recognition demonstrates the Group's long-standing commitment to environmental stewardship and transparent governance practices.

Outlook

Looking ahead, the Group remains confident in its ability to capture growth opportunities by aligning closely with national policies and market development trends. China's continued emphasis on infrastructure investment under the 15th Five-Year Plan, particularly in transportation expansion, rural road development, and green, low-carbon construction, provides strong underlying demand for advanced road construction and maintenance equipment. Asphalt mixing plants will remain essential to the current and potential business, and the Group's strategy of product innovation and development ensures its products are well-positioned to meet evolving policy requirements.

Domestically, the Group will continue to strengthen its market presence by expanding its sales and servicing teams, with a particular focus on penetrating county-level markets. These regions represent significant untapped potential, as local governments and contractors have shown increasing demand for modern and environmentally compliant solutions. Internationally, the Group is committed to diversifying its revenue base and reducing reliance on single-market exposure. The Group will grow its overseas business through strategic local partnerships and the ongoing expansion of our dedicated sales team, focusing on regions such as Central Asia, the Middle East, Southeast Asia, and Australia. These regions are experiencing rapid infrastructure investment, often under the Belt and Road Initiative, and present strong demand for both stationary and mobile plant solutions. By working with local distributors and service providers, the Group aims to establish a stronger international footprint and deliver meaningful contributions from its overseas business.

On the technology front, continuous investment in R&D will remain key to the Group's strategy. Combustion technology, AI-enabled batching systems, and sustainable energy integration are all areas of focus, ensuring that the products deliver superior performance, efficiency, and compliance with global environmental standards. At the same time, the Group is taking proactive steps to improve inventory management, cost control, and cash conversion. With the support of external consultants, measures are being implemented to optimise procurement discipline, streamline assembly schedules, and strengthen distribution efficiency. These operational improvements will safeguard margins, providing a solid foundation for sustainable financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year ended 31 December 2025, the Group recorded a total revenue of RMB377,309,000 (2024: RMB370,559,000), representing an increase of approximately 1.8% as compared to last year. The gross profit of the Group increased from RMB123,877,000 for the year ended 31 December 2024 to RMB127,760,000 for the year ended 31 December 2025, representing an increase of approximately 3.1%. The overall gross profit margin increased by 0.5 percentage points from 33.4% to 33.9%. The Group recorded a net loss attributable to owners of the Company of RMB15,984,000 compared with a net profit of RMB4,413,000 last year.

	2025 RMB'000	2024 RMB'000	Change
Sales of asphalt mixing plants	298,916	274,850	8.8%
Sales of spare parts and modified equipment	63,694	53,657	18.7%
Sales of other asphalt specialty equipment	14,699	42,052	-65.0%
	377,309	370,559	1.8%

Sales of Asphalt Mixing Plants

	2025 RMB'000	2024 RMB'000	Change
Revenue	298,916	274,850	8.8%
Gross profit (Note)	98,754	87,969	12.3%
Gross profit margin	33.0%	32.0%	1.0pp
Number of contracts	34	30	4
Average contract value	8,792	9,162	-4.0%

Revenue from the sales of asphalt mixing plants increased in 2025, primarily driven by a higher number of sales contracts. The lower average contract value reflected a shift in sales mix towards a greater number of small to medium-sized projects during the year. The increase in the number of contracts was broadly in line with market demand amid continued project investments by local governments. Furthermore, overall segment profitability improved, as reflected by the higher gross profit and an increase in gross profit margin from 32.0% in 2024 to 33.0% in 2025.

Note: Provision for impairment of inventories of RMB5,560,000 was made for the year ended 31 December 2025 (2024: Reversal of provision for impairment of inventories of RMB2,727,000) and charged to the "cost of sales". The gross profit of the sales of asphalt mixing plants presented above and this section has excluded the provision for impairment of inventories for analysis purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

By Types of Plants

	2025 RMB'000	2024 RMB'000	Change
Recycling Plants			
Revenue	103,544	190,467	-45.6%
Gross profit	34,969	62,096	-43.7%
Gross profit margin	33.8%	32.6%	1.2pp
Number of contracts	9	16	-7
Average contract value	11,505	11,904	-3.4%
Conventional Plants			
Revenue	195,372	84,383	131.5%
Gross profit	63,785	25,873	146.5%
Gross profit margin	32.6%	30.7%	1.9pp
Number of contracts	25	14	11
Average contract value	7,815	6,027	29.7%

Revenue from the sales of Recycling Plants decreased by 45.6% to RMB103,544,000 in 2025 (2024: RMB190,467,000), mainly due to a lower number of contracts during the year. The gross profit margin increased from 32.6% in 2024 to 33.8% in 2025. The average contract value remained relatively stable, reflecting that the decrease in revenue was primarily volume-driven rather than price-driven.

Revenue from the sales of Conventional Plants increased by 131.5% to RMB195,372,000 in 2025 (2024: RMB84,383,000), attributable to a rise in the number of contracts from 14 to 25 during the year. Gross profit also increased to RMB63,785,000 (2024: RMB25,873,000), with gross profit margin expanding from 30.7% to 32.6%, mainly as a result of higher average contract value and an increased proportion of larger-capacity models sold. This strong performance of Conventional Plants net off the decline in Recycling Plants contributed positively to the Group's overall gross profit and gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

By Geographical Location

	2025 RMB'000	2024 RMB'000	Change
The PRC			
Revenue	284,550	218,798	30.1%
Gross profit	92,960	71,436	30.1%
Gross profit margin	32.7%	32.6%	0.1pp
Number of contracts	32	23	9
Average contract value	8,892	9,513	-6.5%
Overseas			
Revenue	14,366	56,052	-74.4%
Gross profit	5,794	16,533	-65.0%
Gross profit margin	40.3%	29.5%	10.8pp
Number of contracts	2	7	-5
Average contract value	7,183	8,007	-10.3%

Revenue from the PRC sales increased by 30.1% to RMB284,550,000 in 2025 (2024: RMB218,798,000), mainly driven by an increase in the number of contracts from 23 to 32 during the year and solid underlying demand for asphalt mixing plants in the domestic market. Gross profit from the PRC rose to RMB92,960,000 (2024: RMB71,436,000), and gross profit margin increased from 32.6% in 2024 to 32.7% in 2025. The average contract value decreased modestly to RMB8,892,000 (2024: RMB9,513,000), indicating that the growth in revenue was primarily volume-driven.

Revenue from overseas sales declined by 74.4% to RMB14,366,000 in 2025 (2024: RMB56,052,000), mainly due to a reduction in the number of contracts from 7 to 2 amid weaker demand and project delays in certain export markets. Gross profit decreased to RMB5,794,000 (2024: RMB16,533,000); however, gross profit margin improved significantly from 29.5% to 40.3%, supported by a more selective order intake and a focus on higher-margin projects. The average contract value fell to RMB7,183,000 (2024: RMB8,007,000), reflecting the smaller scale of projects completed during the year.

Sales of Spare Parts and Components and Modified Equipment

	2025 RMB'000	2024 RMB'000	Change
Revenue	63,694	53,657	18.7%
Gross profit	30,365	24,919	21.9%
Gross profit margin	47.7%	46.4%	1.3pp

Revenue from sales of spare parts and components and modified equipment amounted to RMB63,694,000 in 2025 (2024: RMB53,657,000), representing a notable year-on-year increase driven by recurring replacement demand from customers and stable after-sales activities. Gross profit from this business rose to RMB30,365,000 (2024: RMB24,919,000), with gross profit margin improving slightly from 46.4% to 47.7%, reflecting a relatively favourable product mix and effective cost management.

The revenue from sales of spare parts and components amounted to RMB34,772,000 (2024: RMB30,868,000). The revenue from sales of modified equipment amounted to RMB28,922,000 (2024: RMB22,789,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from modified equipment mainly comprised projects such as modifying Conventional Plants, installing key components with recycling functions, upgrading control systems and providing other customised solutions to enhance the performance and efficiency of customers' existing plants. The Group's modification projects, which convert conventional plants, of both the Group's own models and those of other brands, into recycling plants using both the Group's own models and those of other brands, continued to broaden its our addressable market, support the our spare parts and components business, strengthen customer relationships and enhance its our value-added service positioning, and strengthen our relationship with customers.

Sales of other Asphalt Speciality Equipment

	2025 RMB'000	2024 RMB'000	Change
Revenue	14,699	42,052	-65.0%
Gross profit	4,201	8,262	-49.2%
Gross profit margin	28.6%	19.6%	9.0pp
Number of contracts	9	15	-6
Average contract value	1,633	2,803	-41.7%

Other asphalt specialty equipment, including the Liugong Asphalt Plant ("LAP") series asphalt mixing plants, RAP crushing equipment and sand manufacturing machines, has revenue and gross profit in 2025 decreased by 65.0% and 49.2% respectively. At the same time, the gross profit margin improved by 9.0 percentage points to 28.6%, illustrating a higher-margin product mix.

Other Income and Other Gains/(Losses), Net

During the year, other income and other gains/(losses), net mainly represented government grants, exchange gains and sundry income. The increase was mainly due to the increase in government grants, increase in foreign exchange gains and technical support service provided to the external parties.

Distribution Costs

Distribution costs, which mainly include the salaries of our sales and marketing personnel, fees paid to distributors, freight and transportation expenses, and marketing expenditures, were higher this year. This increase was mainly driven by higher sales and marketing headcount, increased distribution fees arising from the expansion of our PRC sales, and increased freight and transportation expenses for certain long distance overseas sales.

Administrative Expenses

Administrative expenses, which primarily included staff costs, research and development expenses, and legal and professional fees, increased slightly mainly due to the increase in staff costs, net off by the decrease in legal and professional fee.

Net reversal of provision for impairment losses on trade receivables

The amount represented the net reversal of provision for impairment losses on trade receivables of approximately RMB391,000 (2024: RMB8,749,000). The decrease in reversal of provision for impairment loss was mainly due to more repayment of fully impaired receivables from customers in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of Profit of Associates, Net

The amount represented the share of profit of Topp Financial Leasing (Shanghai) Co., Ltd.* ("Shanghai Topp") of RMB2,177,000 (2024: RMB1,816,000), net off by share of loss of Hangzhou Honglian Intelligent Technology Co., Ltd. of RMB44,000 (2024: Nil).

Finance Income, Net

Finance income, net mainly included bank interest income and interest income on unwinding discounted trade receivables, net off by interest expenses on lease liabilities. The decrease in finance income, net during the year was mainly due to the decrease in interest income on reduced interest rate on deposit.

Income Tax Expense

Income tax expense for the year ended 31 December 2025 was mainly attributable to the deferred tax expenses arisen from the provision for impairment losses on trade receivables, and the withholding tax in respect of the dividend declared by an associate in the Chinese Mainland of the Group.

Loss/(Profit) Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to RMB15,984,000 for the year ended 31 December 2025 (2024: Profit attributable to owners of the Company amounted to RMB4,413,000). The loss for the year was mainly due to the increase in distribution costs and lower net reversal of provision for impairment losses on financial asset as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB376,210,000 (31 December 2024: RMB393,386,000) with a current ratio of 3.0 times (31 December 2024: 3.3 times) as at 31 December 2025.

Inventories increased by RMB4,105,000 from RMB212,960,000 as at 31 December 2024 to RMB217,065,000 as at 31 December 2025. Inventory turnover days remained as 314 days for the year ended 31 December 2025 (2024: 314 days).

Trade and bills receivables increased by RMB49,982,000 from RMB169,189,000 as at 31 December 2024 to RMB219,171,000 as at 31 December 2025. Trade and bills receivables turnover days was 188 days for the year ended 31 December 2025, representing an increase of 57 days as compared to 131 days for the year ended 31 December 2024. The increase in trade and bills receivables and trade and bills receivables turnover days was primarily due to more sales towards the end of the year.

The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bills payables decreased from RMB90,398,000 as at 31 December 2024 to RMB85,183,000 as at 31 December 2025. Trade and bills payables turnover days increased from 126 days in 2024 to 128 days in 2025, reflecting the longer settlement period with suppliers.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. The treasury policies and objectives of the Group are to lower finance costs while enhancing returns on financial assets under a prudent and conservative approach.

As at 31 December 2025, the Group had cash and cash equivalents of RMB32,149,000 (31 December 2024: RMB48,926,000) and pledged bank deposits of RMB12,304,000 (31 December 2024: RMB21,672,000). The Group had no outstanding borrowings (31 December 2024: Same). The Group's cash and cash equivalents and pledged bank deposits were mostly denominated in Renminbi, Hong Kong dollars and US dollars.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2025, the Group recorded net cash used in operating activities of RMB4.6 million (2024: net cash used in operating activities of RMB87.6 million). Net cash used in investing activities was RMB7.5 million (2024: net cash generated from investing activities of RMB21.7 million). Net cash used in financing activities was RMB4.4 million (2024: net cash used in financing activities of RMB47.6 million).

Capital Commitments and Contingent Liabilities

Capital commitments as at 31 December 2025 and 2024 not provided for in the consolidated financial statements were as follows:

	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Contracted for		
– Property, plant and equipment	228	648

As at 31 December 2025, there were no capital commitments authorised but not contracted for (31 December 2024: Same).

Certain customers financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. With respect to these leasing arrangements, the Group provided guarantee to Shanghai Topp amounted up to RMB54,661,000 (2024: RMB85,756,000).

Pledge of Assets

As at 31 December 2025, buildings of RMB22,491,000 (31 December 2024: RMB24,749,000), land use right of RMB4,049,000 (31 December 2024: RMB4,180,000) and bank deposits of RMB12,304,000 (31 December 2024: RMB21,672,000) were pledged for banking facilities and bills payables of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including US dollars. The appreciation or depreciation of Renminbi against these foreign currencies would increase or decrease the price of the Group's products which were sold to overseas markets and might bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of Renminbi would also decrease or increase the cost of sales of the Group in respect of the purchases of raw materials from overseas. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose for the year ended 31 December 2025.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2025, the Group did not have any significant investments or material acquisitions or disposals.

Event after the Reporting Period

No significant event has taken place subsequent to 31 December 2025 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policy

The Group aims to develop itself into a green company by connecting with the nature and recognises the impact on the environment and the natural resources in neighboring communities. The Group operates in an environmental-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. The policies are guided by the following principles: clean production, energy saving, pollution prevention, and continuous improvement. This includes setting consumption targets for energy and resources, analysing processes, as well as formulating management measures to reduce energy and resources consumption to a reasonable level.

Currently, the Group complies with all applicable laws and regulations that have a significant impact on the Group while integrating environmental considerations into the business. The Group also follows the requirements and guidance of the national standard for environmental management systems for continual improvement.

The Group strives to be more consciously aware of the environmental impact of its business decisions and mitigates as much environmental impact as possible during its production process. Its commitment is demonstrated by its preventative and reduction measures. The Group seeks to continue its effort through a progressive and systematic approach and it will continue its effort to be fully aware of its environmental impact, to be a good corporate citizen, and to continue developing the Group in a sustainable manner.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2025 and up to the date of this Annual Report, to the best knowledge of the Company, the Group has complied with all the relevant laws and regulations in Chinese Mainland and Hong Kong which have a significant impact on the business and operations of the Group, and there is no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Group aims to align its business strategies with its stakeholders' expectations and concerns. To better understand those expectations and concerns, the Group has to communicate and involve its stakeholders in its decision-making process. During the year ended 31 December 2025, the Group has engaged with its stakeholders on an ongoing basis via various engagement methods, including our publications pursuant to the Listing Rules, our corporate website and online media platforms.

Key stakeholder groups include shareholders, employees, customers, suppliers, education and research partners, government and other public bodies, industry associations, and community. The Group continues to expand its stakeholder engagements to suppliers, customers, education and research partners, government and other public bodies, industry associations, and community. This will include surveys, focus group discussions, and other engagement activities. The engagement would allow the Group to better understand stakeholders' views on the Company's sustainable development. The findings will further enhance the sustainability of the Group.

Principal Risks and Uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Group's financial position, operations, business and prospects may be affected by the following identified principal risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry risk in the PRC

The Group generates a substantial portion of revenue from the sales of asphalt mixing plants for road construction and maintenance projects in the PRC. The asphalt mixing plants are mainly used in the road construction and maintenance sectors and the development of our business depends on the sustained growth of these sectors in the PRC. Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation in the PRC affect the business and economic environment we are in, which affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC government's spending on road construction and maintenance work declines, this could lead to less expected businesses and construction activities nationwide. If there are changes in the PRC laws, regulations or policies which lead to a decline in investment in infrastructure, road construction and maintenance, the demand for our products and services may decrease.

Industry risk in the overseas market

As part of the expansion strategy, the Group plans to increase our business in the overseas market by increasing the sales of our asphalt mixing plants and related services to customers in overseas markets such as Central Asia, the Middle East, Southeast Asia, and Australia, which have strong demands for asphalt mixing plants. The growth of our overseas sales of asphalt mixing plants is largely dependent on the demand for our products arising from the road construction and maintenance projects in the overseas markets.

If there is a decrease in investment in road construction and maintenance projects or slower-than-expected economic growth and unfavorable macroeconomic conditions in these overseas markets, this could lead to less expected demand for our products and services.

Financial credit risk

The Group is subject to the risk that trade and bills receivables may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as the slow settlement of government funding for PRC road construction or maintenance projects that our customers participated in, and changes in the implementation of infrastructure projects against original plans. There is credit risk exposure as the provision for impairment losses may be increased because of the above-mentioned factors and other factors such as payment patterns of the customers and macroeconomic conditions. The Group continues to enhance and strengthen the credit control and collection policies to minimise the financial credit risk.

Environmental compliance risk

The PRC government has in recent years been increasingly stringent in its laws relating to environmental protection, for example, imposing carbon restrictions in the industrial and manufacturing sectors. The Group has an environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities comply with the relevant laws and regulations. Because of the increasingly stringent laws and regulations, our operating costs may be increased to ensure consistent compliance. We may also incur additional operating costs to update our waste discharge testing systems, improve our environmental protection technology and processes, and implement additional measures and assign more personnel to ensure that we comply with the PRC environmental laws.

MANAGEMENT DISCUSSION AND ANALYSIS

Quality control risk

The performance, quality and safety of our products are critical to our business and development. The Group has established and maintains stringent quality control standards and internal inspection procedures. The effectiveness of our quality control system is determined by various factors, including the implementation of quality standards, the quality of training programs, and the adherence by our employees to our quality control policies and guidelines. In addition, our production output is highly dependent upon our quality control system and reliable and sufficient sources of high-quality raw materials, parts, and components. While we can produce the core parts and components for our products, our customers from time to time will request that we procure certain non-key parts, components, and other ancillary materials for their customised products from a limited number of domestic or overseas suppliers. The Group has stringent quality control standards and measures to ensure parts, components, and ancillary materials will be manufactured in accordance with our internal quality standards.

Employees and Remuneration Policy

As at 31 December 2025, the Group had approximately 349 (2024: 330) employees. The total staff costs for the year ended 31 December 2025 amounted to approximately RMB74,517,000 (2024: RMB69,026,000).

The remuneration policy of the Group was based on performance of employees, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their positions, which includes salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made contributions to pension and provided other employees benefits.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Choi Kwan Li, Glendy, aged 55, is our Chairman, executive Director and chief executive officer. She was appointed as an executive Director on 11 September 2014 and appointed as Chairman on 23 June 2025. She is primarily responsible for overseeing the corporate management of our Group and the overall management and implementation of business and marketing strategies and plans.

Ms. Glendy Choi has over 27 years of experience in the trading and manufacturing of specialised engineering equipment. She was appointed as a director and general manager of Langfang D&G in June 2009 and her title was changed to President in November 2019. She was appointed as the legal representative of Langfang D&G in June 2011. She is also a director of certain entities of the Group.

Ms. Glendy Choi was a master of business administration in marketing. She is a Fellow Certified Risk Planner of The Institute of Crisis and Risk Management, an EFFAS Certified ESG Analyst® (CESGA) and a Certified ESG Planner CEP®. In November 2015, Ms. Glendy Choi was admitted as a member of the Young Presidents' Organisation ("YPO") – World Presidents' Organisation and served as a Board member of YPO Gold South East Asia Region from 2022 to 2024.

Ms. Glendy Choi is a fellow member of The Hong Kong Institute of Directors. She has been a Committee Member of the Hong Kong Young Industrialists Council ("HKYIC") since October 2017 and was appointed as their Vice President, and Member's Affairs Committee Chairman for 2025-2026 in November 2025. In December 2021, Ms. Glendy Choi was appointed as a Vice President of the Greater Bay Area Carbon Neutrality Association. In September 2025, Ms. Glendy Choi was appointed as a Compliance Committee Member of the Federation of Hong Kong Industries (2025-2027).

Ms. Glendy Choi is one of the awardees of the Young Industrialist Awards Hong Kong 2016 and has been awarded the 7th Asia Pacific Entrepreneurship Awards 2016, Hong Kong Chapter by Enterprise Asia. She was titled by the Hebei Committee of the Communist Party of China and the Hebei Provincial People's Government as one of the Hundred High-tech Private Entrepreneurs in Hebei Province in December 2014. Ms. Glendy Choi was titled "100 Most Influential Persons of China Construction Machinery Industry" for five consecutive years from 2017 to 2021 and was titled "50 Influencers of China Construction Machinery Industry" in 2022 and 2024. She is one of the awardees of GBA Outstanding Women Entrepreneur Awards 2023.

Ms. Glendy Choi is the daughter of Mr. Choi Hung Nang, the sister of Mr. Derek Choi, and the cousin-in-law of Mr. Liu Tom Jingzhi.

Mr. Choi Hon Ting, Derek (formerly known as Choi Kwan Wai, Derek), aged 57, is our executive Director. He was appointed as an executive Director on 11 September 2014. Mr. Derek Choi has over 34 years of experience in the trading of specialised engineering equipment. He is primarily responsible for overseeing the strategic business development of our Group. Mr. Derek Choi has been appointed as a director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Derek Choi was awarded a bachelor's degree in agricultural engineering from Purdue University in May 1991. Mr. Derek Choi has been admitted as a fellow member of the Hong Kong Institute of Directors since February 2005. In April 2016, he was admitted as a member of Hong Kong Professionals and Senior Executives Association (HKPASEA). Mr. Derek Choi has been appointed as an independent non-executive director of HM International Holdings Limited (Hong Kong stock code: 8416) since 15 December 2016.

Mr. Derek Choi is the son of Mr. Choi Hung Nang, the brother of Ms. Glendy Choi and the cousin-in-law of Mr. Liu Tom Jing-zhi.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Tom Jing-zhi, aged 56, is our executive Director and chief operating officer. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for overseeing the daily operations of manufacturing facilities and the implementation of business strategies and plans of our Group. Mr. Liu has over 22 years of experience in corporate management and business operations. He joined our Group in August 2006 as the director and deputy general manager of Langfang D&G. He is also a director of certain entities of the Group.

In September 1999, Mr. Liu was awarded a graduate diploma in business administration from the University of Technology Sydney. Mr. Liu was recognised as a Person of Innovation* (創新人物) by the Equipment Management Institute of Hebei Province Innovation Development Committee* (河北省工業設備管理創新發展峰會組委會) in June 2012. Since April 2013, Mr. Liu has been appointed as a member of the Sixth Committee of Chinese People's Political Consultative Conference, Langfang city* (中國人民政治協商會議廊坊市第六屆委員會) for a term of 5 years and has ended in April 2018.

Mr. Liu is the son-in-law of Mr. Choi Hung Nang's elder brother and the cousin-in-law of Ms. Glendy Choi and Mr. Derek Choi.

Mr. Lao Kam Chi, aged 64, is our executive Director and general manager (sales and marketing). He is primarily responsible for managing and implementing sales and marketing strategies. Mr. Lao has over 38 years of experience in sales and marketing.

Mr. Lao joined our Group in October 2002 as the general manager of the sales and marketing team in Beijing D&G Machinery Company Limited* (北京德基機械有限公司). He has been a director of Langfang D&G since June 2011, and the general manager of our sales and marketing centre since August 2009.

In July 1982, Mr. Lao was awarded a bachelor's degree in engineering from Southwest Jiaotong University* (西南交通大學), China.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Chan Lewis (formerly known as Chan Yeung), aged 55, was appointed as a non-executive Director on 15 December 2014. Mr. Chan is the managing partner of Maunakai Capital Partners (Hong Kong) Limited. He is also an executive director of DT Capital Limited (formerly known as Incutech Investments Limited) (Hong Kong stock code: 356). He has over 26 years of experience in asset management and investment research. Mr. Chan received his bachelor's degree in economics from the University of Chicago in June 1994 and his master of arts from Columbia University in May 1996. Mr. Chan further obtained his Ph.D. from Harvard University in June 2000.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics. Mr. Chan currently serves as a member of the Admissions, Budgets, and Allocations Committee of the Community Chest of Hong Kong.

Mr. Alain Vincent Fontaine, aged 70, was appointed as a non-executive Director on 15 August 2016. Mr. Fontaine is responsible for providing advice on corporate governance and internal control matters of the Group. Mr. Fontaine obtained a bachelor's degree in electrical engineering from the University of Sherbrooke in Canada in June 1979. He has been a member of the Order of Engineers of Québec since January 1980.

In 2000, he founded Investel Asia, a venture capital and private equity firm and served as its managing director from January 2004 to December 2006. He was the chief executive officer of Newcom LLC from January 2007 to September 2008. Mr. Fontaine served various positions within the BCE Inc. group, a communications group in Canada, including Bell Canada, Bell Ardis and Tata Cellular, for approximately 16 years of his career. Mr. Fontaine has also been acting as a non-executive director of Tsaker Chemical Group Limited (Hong Kong stock code: 1986) since April 2015. He was an independent director of China Lending Corporation, a company listed on NASDAQ (ticker: CLDC) from July 2016 to 29 December 2017. He has been the chairman of the board of directors of Clover Leaf Capital Corp. (a Canadian capital pool company listed on the TSX Ventures Exchange in Canada, stock code: CLVR.P) from March 2022 to October 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. O'Yang Wiley, aged 63, has over 39 years of experience in accounting, finance, and the legal industry, and was appointed as our independent non-executive Director on 1 May 2019.

Since October 2012, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of Hong Kong Economic Times Holdings Limited (Hong Kong stock code: 0423) and a member of its remuneration committee since 26 July 2019. Since October 2018, Mr. O'Yang has been an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Midea Real Estate Holding Limited (Hong Kong stock code: 3990). Since 11 June 2019, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of AB Builders Group Limited (Hong Kong stock code: 1615). From 11 November 2019 to 12 May 2022, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Tianyun International Holdings Limited (Hong Kong stock code: 6836). Since 16 February 2022, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Edvantage Group Holdings Limited (Hong Kong stock code: 382).

Mr. O'Yang has been the managing director of Shanggu Securities Limited since February 2018. Before joining Shanggu Securities Limited, he worked for over 19 years as managing director and executive director in various financial institutions, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (Hong Kong stock code: 1988), Kim Eng Securities (Hong Kong) Limited (currently known as MIB Securities (Hong Kong) Limited), a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited.

Mr. O'Yang had also worked for over six years as a solicitor in private practice at a number of solicitors' firms and was a partner of Richards Butler (currently known as Reed Smith Richards Butler) immediately before he joined BNP Paribas Capital (Asia Pacific) Limited in May 2004.

Mr. O'Yang graduated from the Chinese University of Hong Kong in Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. Lee Wai Yat, Paco, aged 60, was appointed as our independent non-executive Director on 24 April 2015. From February 2017 to December 2022, Mr. Lee has been the general manager (business development, global frozen and related business) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU). He was also the non-executive director of Avanti Feeds Limited (listed on the Bombay Stock Exchange and National Stock Exchange of India Limited, ticker: AVANTI/AVANTIFEED) and Pakfood Public Company Limited (Stock Exchange of Thailand code: PPC and delisted in November 2013) from 2012 to 2022.

Mr. Lee has over 35 years of experience in capital markets, corporate finance and management. Mr. Lee graduated from Purdue University in May 1991 with a bachelor of science in management. Mr. Lee obtained his master of business administration from the Sasin Graduate Institute of Business Administration (a joint program between the Kellogg School of management of Northwestern University, the Wharton School of the University of Pennsylvania, and Chulalongkorn University) in Bangkok in March 1993.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee completed the Director Certification Program, Advanced Audit Committee Program and Risk Management Program for Corporate Leaders, held by the Thai Institute of Directors in June 2012, November 2020 and November 2021 respectively. Mr. Lee also completed the CFO Orientation Course (financial and accounting preparation) held by the Stock Exchange of Thailand in March 2021. In 2014, Mr. Lee was awarded the 3rd Best Chief Financial Officer in Thailand by FinanceAsia's annual Best Managed Companies Poll.

Ms. Hu Bingbing, aged 50, was appointed as an independent non-executive director on 1 September 2025. Ms. Hu is responsible for providing advice on corporate governance and internal control matters of the Group.

Ms. Hu has over 20 years of accounting experience in the academic field and is currently an Associate Professor and Assistant Dean (Mainland Engagement) of the School of Business at Hong Kong Baptist University (HKBU). She obtained her BA and MA degrees in accountancy from Xiamen University and PhD degree in accountancy from the Chinese University of Hong Kong in 2004.

From 2004 to 2011, Ms. Hu worked as an Assistant Professor at Hong Kong Baptist University. Since 2011, she has held the position of Associate Professor at Hong Kong Baptist University. With a broad range of research interests encompassing financial reporting, auditing, corporate governance, and the role of institutions in corporate decision making, Ms. Hu has published her research in top-tier journals, including Journal of Accounting Research, Review of Accounting Studies, Journal of Operations Management, and Journal of International Business Studies. As a dedicated educator, Ms. Hu is committed to imparting her expertise to students through a range of undergraduate, master, and doctoral-level courses. Her academic excellence has been recognized with the HKBU Faculty/School Performance Award for Young Researcher in 2013.

Mr. Choi Hung Nang, aged 87, was a co founder, chairman and executive Director of the Group. He had been primarily responsible for supervising the operations and planning the business and marketing strategies of the Group and had served as chairman and director of Langfang D&G since June 2011. He resigned as a chairman and executive director of the Company with effect from 23 June 2025.

Mr. Li Zongjin, aged 73, was appointed as an independent non executive Director of the Company on 24 April 2015. He has extensive academic and professional experience in civil and structural engineering and had provided independent oversight and advice to the Board. He resigned as an independent non executive Director of the Company with effect from 23 June 2025.

Senior Management

Mr. Fok Wai Shun, Wilson, aged 51, was re-designated from an Independent non-executive Director to the Chief Financial Officer, the Company Secretary and the Authorised Representative of the Company with effect from 1 September 2025.

Mr. Fok has over 25 years of experience in the fields of investment banking, accounting and finance, legal and corporate development. Mr. Fok holds a double bachelor degree in Commerce and Laws from the University of Melbourne. Mr. Fok was admitted as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1998 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fok previously held senior management positions at various investment banks where he assisted companies in achieving successful IPOs on the Hong Kong Stock Exchange, as well as in executing M&A, fundraising and other corporate finance transactions. After working in the assurance and transaction services departments of PricewaterhouseCoopers from 2000 to 2004, Mr. Fok served in various positions at the investment banking division of Piper Jaffray Asia Limited from 2004 to 2010 where his last position was vice president. From 2010 to 2014, he served in the corporate finance division of CCB International Capital Limited where his last position was executive director. From 2014 to 2018, he was the managing director of Challenge Capital Management Limited. From 2018 to 2019 and from 2021 to 2023, he was the managing director of Titan Financial Services Limited. From 2019 to 2020, he was the managing director, co-head and head of IPO of the corporate finance division of Opus Capital Limited.

Mr. Fok has also been the director or senior management of various enterprises where he supported them in enhancing their financial management and corporate development, developing new business and pursuing strategic collaborations. He served as director of new venture and investment of Kum Shing Group, a leading energy infrastructure engineering group in Hong Kong from July 2023 to August 2024, and its advisor from September to December 2024. Mr. Fok had been our independent non-executive director since May 2015 and was re-designated as our chief financial officer in September 2025 to support the Group's development, new venture and investment. He has been an independent non-executive director of Pax Global Technology Limited (Hong Kong stock code: 327) since May 2023 and Pangaea Connectivity Technology Limited (Hong Kong stock code: 1473) since February 2026.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to the shareholders of the Company;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value and accountability, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

In the opinion of the Directors, the Company complied with all applicable code provisions of the CG Code throughout the year ended 31 December 2025, save for Code Provision C.2.1 in respect of the segregation of the roles of chairman and chief executive. As disclosed in the below section “Chairman and Chief Executive Officer”, the positions of Chairman and Chief Executive Officer are both held by Ms. Choi Kwan Li, Glendy, and the Board considers that this arrangement, together with the safeguards in place, remains appropriate for the Group.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules.

The specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2025.

The Company has also established written guidelines no less exacting than the Model Code (the “Employees Written Guidelines”) for securities transactions by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance with the Employees Written Guidelines by the relevant employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors, and three independent non-executive Directors. The executive Directors, non-executive Directors, and independent non-executive Directors during the year ended 31 December 2025 were as follows:

Executive Directors:

Ms. Choi Kwan Li, Glendy (*Chief Executive Officer, Chairman of the Board and chairman of the Risk Management Committee*)

Mr. Choi Hon Ting, Derek

Mr. Liu Tom Jing-zhi (*Chief Operating Officer and member of the Risk Management Committee*)

Mr. Lao Kam Chi

Non-executive Directors:

Mr. Chan Lewis

Mr. Alain Vincent Fontaine

Independent Non-executive Directors:

Mr. O'Yang Wiley (*Chairman of the Audit Committee and member of the Nomination Committee, Remuneration Committee and Risk Management Committee*)

Mr. Lee Wai Yat, Paco (*Chairman of Nomination Committee and Member of the Audit Committee*)

Ms. Hu Bingbing (*Chairman of the Remuneration Committee and member of the Audit Committee and Risk Management Committee*)

The biographical information of the Directors as well as the relationships between the members of the Board are set out under "Biographical Details of Directors and Senior Management" on pages 20 to 25 of this Annual Report.

Chairman and Chief Executive Officer

The positions of chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer") are both held by Ms. Choi Kwan Li, Glendy. The Chairman is responsible for providing leadership to the Board and ensuring its effective functioning. The Chief Executive Officer is responsible for the Group's overall business development as well as the day to day management and operations. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing.

CORPORATE GOVERNANCE REPORT

Code Provision C.2.1 of Part 2 of the Corporate Governance Code (the "Code") provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the reporting period, Ms. Choi Kwan Li, Glendy served as both the Chairman and the Chief Executive Officer of the Company, which deviates from Code Provision C.2.1. The Board believes that this structure provides the Group with strong and consistent leadership and is conducive to efficient decision making and business development, given Ms. Choi's in depth knowledge of the Group's operations and industry. The Board has implemented appropriate measures and safeguards to maintain effective checks and balances, including a balanced composition of executive and independent non executive directors and active participation of independent non executive directors in Board committees, so as to preserve the independence of the Board and the robustness of the Company's corporate governance framework.

Independent Non-executive Directors ("INEDs")

During the year ended 31 December 2025, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

As at the date of this Report, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of INEDs tenure to ensure that independent views and input are available to the Board.

Non-executive Directors and Directors' Re-election

Code provision B.2.2 of the CG Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021.

Mr. Lee Wai Yat, Paco, an independent non-executive director, and Mr. Chan Lewis, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018, 27 May 2021 and 27 May 2024. Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019, 15 August 2022 and 15 August 2025. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 and renewed his service agreement with the Company for a further period of three years commencing from 1 May 2022 and 1 May 2025.

Ms. Hu Bingbing, a newly appointed independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 September 2025.

Each of the non-executive Directors and independent non-executive Directors' appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the articles of association of the Company (the "Articles of Association") and the Listing Rules.

CORPORATE GOVERNANCE REPORT

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

In addition, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions, and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including the non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control, and risk management, material transactions (in particular those that may involve a conflict of interests), financial information, the appointment of Directors, and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Mr. Choi Hung Nang (ex-Chairman) is the father of Ms. Choi Kwan Li, Glendy (Chairman and Chief Executive Officer) and Mr. Choi Hon Ting, Derek, and the brother of the father-in-law of Mr. Liu Tom Jing-zhi. Apart from the aforesaid, there are no other financial, business, family or other material/relevant relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive a comprehensive, formal, and tailored induction on the first occasion of his/her appointment to ensure an appropriate understanding of the business and operations of the Company and full awareness of the director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2025, all Directors provided to the Company their training records. All Directors participated in continuous professional development exercised by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updated on the roles, functions, and duties of a listed company director. In addition, relevant reading materials including directors' manuals, legal and regulatory updates, and seminar handouts have been provided to the Directors for their reference and studying. The training attended by the Directors is in the areas of corporate governance, regulatory update, financial management, director's duties and responsibilities, environmental, social, and governance, business skills and knowledge, etc. Ms. Hu Bingbing, who was appointed as an independent non-executive Director with effect from 1 September 2025, has obtained legal advice referred to under Rule 3.09D of the Listing Rules on 20 August 2025 and confirmed that she understood her obligations as a director of the Company. The Company will also ensure that she completes the minimum continuous professional development hours required for first-time directors within 18 months of her appointment in accordance with the Corporate Governance Code and the Listing Rules. The Company is of the view that all Directors have complied with code provision C.1.4 of the CG Code.

Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, and Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Save for the Risk Management Committee, the majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this Annual Report.

Audit Committee

The Audit Committee currently comprises three members, namely, Mr. O'Yang Wiley (Chairman), Mr. Lee Wai Yat, Paco, Mr. Hu Bingbing (including at least one independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with the external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2025, the Audit Committee held two meetings to review annual financial results and report in respect of the year ended 31 December 2024, interim financial results and report in respect of the six months ended 30 June 2025, significant issues on the financial reporting and compliance procedures, the effectiveness of the risk management and internal audit function, the scope of work and appointment of the external auditor, arrangements for employees to raise concerns about possible improprieties and to discuss the audit plan for the year ended 31 December 2025 of the Company. The attendance records of the Audit Committee are set out under “Attendance Records of Directors and Committee Members” of this Annual Report.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Hu Bingbing (Chairman) (independent non-executive Director), Ms. Choi Kwan Li, Glendy (executive Director), and Mr. O’Yang Wiley (independent non-executive Director).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her remuneration.

During the year ended 31 December 2025, the Remuneration Committee held one meeting to make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, and other related matters. The attendance records of the Remuneration Committee are set out under “Attendance Records of Directors and Committee Members” of this Annual Report.

Details of the remuneration of the senior management for the year ended 31 December 2025 are set out in Note 31 in the “Notes to the Consolidated Financial Statements” of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Lee Wai Yat, Paco (Chairman)(independent non-executive Director), Ms. Choi Kwan Li (executive Director) and Mr. O’Yang Wiley (independent non-executive Director).

The principal duties of the Nomination Committee include reviewing the Board composition, the Company’s board diversity policy (the “Board Diversity Policy”) and the Company’s director nomination policy (the “Director Nomination Policy”), developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate’s relevant criteria as set out in the Director Nomination Policy that is necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diverse perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Risk Management Committee

The Risk Management Committee currently comprises four members, namely, Ms. Choi Kwan Li, Glendy (Chairman) (executive Director), Mr. Liu Tom Jing-zhi (executive Director), Mr. O'Yang Wiley (independent non-executive Director) and Mr. Hu Bingbing (independent non-executive Director).

The principal duties of the Risk Management Committee include reviewing and assessing the effectiveness of the Company's risk management system and discussing the risk management system with management to ensure that management has performed its duty to have an effective risk management system.

During the year ended 31 December 2025, the Risk Management Committee held four meetings to review and make recommendations on the adequacy and effectiveness of the Group's risk management and internal control system. The attendance records of the Risk Management Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size, and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider several aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and regional and industry experience.

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as of the date of this Annual Report:

Category	Female	Male
Board	22.2%	77.8%
Other employees	13.8%	86.2%
Overall workforce	14.0%	86.0%

The Board has two female member, representing 22% of the Board as at 31 December 2025 and up to the date of this report. The Company targets to maintain at least the current level of female representation on the Board with the ultimate goal of approaching gender parity, and to take appropriate measures to further enhance its Board diversity in tandem with the evolving corporate governance practice.

The Company is committed to increasing gender diversity on the Board over time when selecting and recommending candidates for Board appointment. The Board and Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Company will strive to widen the recruitment channels, such as referral solicitation and engagement of external headhunters, for identifying and approaching suitable candidates for Board appointment.

Board Independence Evaluation

The Company has established its board independence evaluation mechanism (the "Board Independence Evaluation Mechanism") which sets out the processes and procedures to ensure a strong independent element on the Board as well as allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct an annual review of its independence. A board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2025, all Directors completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. A board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2025, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

CORPORATE GOVERNANCE REPORT

Director Nomination Policy

The Board has delegated its responsibilities and authority for the selection and appointment of Directors to the Nomination Committee.

The Company has adopted the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience, and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2025, the composition of the Board changed following the redesignation of Ms. Choi Kwan Li, Glendy as the Chairman of the Board in place of Mr. Choi Hung Nang, the resignation of Mr. Choi Hung Nang as executive director, and Mr. Li Zongjin and Mr. Fok Wai Shun, Wilson as independent non-executive Directors, the subsequent appointment of Mr. Fok Wai Shun, Wilson as Chief Financial Officer and Company Secretary of the Company, and the appointment of Ms. Hu Bingbing as an independent non-executive Director.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the Part 2 of CG Code.

During the year ended 31 December 2025, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board committee meetings and the annual general meeting of the Company held during the year ended 31 December 2025 are set out in the table below:

Name of Director	Attendance/Number of Meetings					Risk Management Committee	Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee			
Mr. Choi Hung Nang (<i>resigned on 23 June 2025</i>)	2/5	–	–	1/2	–	–	0/1
Ms. Choi Kwan Li, Glendy	5/5	2/2	2/2	2/2	4/4	–	1/1
Mr. Choi Hon Ting, Derek	5/5	–	–	–	–	–	1/1
Mr. Liu Tom Jing-zhi	4/5	–	–	–	4/4	–	1/1
Mr. Lao Kam Chi	4/5	–	–	–	–	–	0/1
Mr. Chan Lewis	4/5	–	–	–	–	–	0/1
Mr. Alain Vincent Fontaine	4/5	–	–	–	–	–	1/1
Mr. O'Yang Wiley	4/5	2/2	2/2	1/2	4/4	–	1/1
Mr. Li Zongjin (<i>resigned on 23 June 2025</i>)	2/5	1/2	–	1/2	–	–	0/1
Mr. Lee Wai Yat, Paco	4/5	2/2	–	2/2	–	–	1/1
Mr. Fok Wai Shun, Wilson (<i>resigned on 1 September 2025</i>)	3/5	2/2	1/2	–	3/4	–	1/1
Ms. Hu Bingbing (<i>appointed on 1 September 2025</i>)	1/5	0/2	0/2	–	1/4	–	0/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2025.

Directors' Responsibility in Respect of the Financial Statements

Financial Reporting

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 56 to 59 of this Annual Report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation, or dismissal of external auditors.

CORPORATE GOVERNANCE REPORT

Auditor's Remuneration

An analysis of the fees charged by the external auditor of the Company, in respect of audit services and non-audit services for the year ended 31 December 2025 is set out below:

Service Category	Fees RMB'000
Audit services	940
Non-audit services:	
Review on the Group's interim condensed consolidated financial information for the period ended 30 June 2025	300
Agreed-upon procedures on PN730 – Report on preliminary announcement of annual results	10
	1,250

Risk Management and Internal Controls

Role of the Board

The Board acknowledges that it is responsible for reviewing the effectiveness of the risk management and internal control systems. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. 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 has reviewed the risk management and internal control systems of the Group and considered them to be effective and adequate and did not note any material deviation during the year ended 31 December 2025. The management has confirmed to the Board, the Audit Committee, and the Risk Management Committee on the effectiveness of the risk management and internal control systems of the Company for the year ended 31 December 2025.

Framework 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 summarised below:

Board

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

Audit Committee and Risk Management Committee

- Assist the Board to perform its duties in reviewing the Group's risk management and internal control systems;
- Oversee the Group's risk management and internal control systems on an on-going basis;
- Review the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
- Ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, risk management and internal control and financial reporting functions; and
- Consider major findings on risk management and internal control matters, and report and make 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;
- Gives prompt responses to, and follow up on the findings on risk management and internal control matters raised by the risk management and internal control function or the external risk management and internal control review adviser; and
- Provides confirmation to the Board, the Audit Committee and the Risk Management Committee on the effectiveness of the risk management and internal control systems.

Process Used to Review the Effectiveness of the Risk Management and Internal Control System

All departments conducted internal control assessments regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided remediation plans, monitored the risk management progress, and reported to the Audit Committee, the Risk Management Committee and the Board on all findings and the effectiveness of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification:

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment:

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Response:

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting:

- Performs on-going and periodic monitoring of the risks and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of the situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

CORPORATE GOVERNANCE REPORT

Internal Audit Function

The Group has its internal audit function to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2025. Such review is conducted annually. The scope of the review was previously determined and approved by the Audit Committee and the Risk Management Committee. Major findings and areas for improvement have been reported to the Audit Committee and the Risk Management Committee. All recommendations from the risk management and internal control review adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group, therefore, considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and those who deal with the Group to raise concerns, in confidence and anonymity, to the Audit Committee and the Board about possible improprieties in any matter relating to the Company. The identity of the whistleblower will be treated with the strictest confidence.

Anti-corruption Policy

The Company has in place the Anti-corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company and stakeholders to report any suspected corruption and bribery.

Disclosure Policy

The disclosure policy is in place to ensure potential inside information is being captured and confidentiality of such information is being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

Company Secretary

Mr. Fok Wai Shun, Wilson who is also the chief financial officer of the Company, was appointed by the Board as the company secretary of the Company with effect from 1 September 2025. The role of the company secretary is to ensure good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing corporate governance practices. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. Fok, pursuant to the content of which, the Company confirmed that Mr. Fok had taken not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2025.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

Procedure for shareholders to convene an extraordinary general meeting

Any one or more shareholder(s) 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, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. This meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals

Shareholders who wish to put forward proposals at general meetings of the Company may achieve so by means of convening an extraordinary general meeting in accordance with the procedures set out in the paragraph above.

Procedure for shareholders to propose a person for election as a Director at a general meeting

After the publication of the notice of a general meeting by the Company, according to Article 85 of the Articles of Association, if a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company wishes to propose a person (the "Candidate") for election as a Director at the general meeting, he/she shall deposit a written notice (the "Notice") at the Company's registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, its principal place of business in Hong Kong at 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the date after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

Procedure for putting forward enquiries

For enquiries about shareholdings, shareholders should direct their enquiries to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send an email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

For enquiries about corporate governance or other matters to be put to the Board and the Company, the Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email: ir@dgtechnology.com, by fax: (852) 2541 9078, or mail: 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong.

Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will be available to meet shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.dgtechnology.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

There was no change in the Articles of Association during the year ended 31 December 2025. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders' Communication Policy

The Company has in place a Shareholder Communication Policy. The policy aims to promote effective communication between the Company, shareholders and other stakeholders, and enable shareholders to exercise their rights as shareholders effectively in an informed manner.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

1. Means for shareholders to send enquiries to the Company's share registrar or the Company regarding their shareholdings, corporate governance or other matters
2. Corporate communications (e.g., annual report, interim report, circular, proxy form, etc.)
3. Announcements and other documents published pursuant to the Listing Rules
4. Corporate website (www.dgtechnology.com)
5. General meetings
6. Other investor relations communication platforms (e.g., investor/analyst's briefings, roadshows, media interviews, marketing activities for investors and specialist industry forums, etc.)

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consents unless required by law.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

Dividend Policy

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in this Annual Report.

Deed of Non-Competition Undertakings

As disclosed in the Company's prospectus (the "Prospectus") dated 14 May 2015, each of Prima DG Investment Holding Company Limited (翰名投資控股有限公司), Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek, Controlling Shareholders (as defined in the Prospectus) of the Company, has entered into a deed of non-competition dated 6 May 2015 in favour of the Company (for itself and as trustee for its subsidiaries from time to time).

The Company has received a declaration made by the Controlling Shareholders in compliance with the deed of non-competition for the year ended 31 December 2025.

The independent non-executive Directors have conducted a review on the compliance and enforcement of the deed of non-competition by the Controlling Shareholders for the year ended 31 December 2025.

Compliance with the Sanctions Undertaking

As disclosed in the Prospectus, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from the global offering, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "Sanctions Undertaking"). The Company confirms that the net proceeds from the global offering have been fully utilised and that, during the year ended 31 December 2025, no part of such proceeds, nor any other funds raised through the Stock Exchange, was used in a manner that would contravene the Sanctions Undertaking.

During the year ended 31 December 2025, the internal control committee of the Company had evaluated the Group from a sanctions risk perspective to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, etc., would not violate the Sanctions Undertaking.

REPORT OF THE DIRECTORS

The Directors are pleased to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and its principal place of business in Hong Kong is 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong. The Group's principal place of business in the PRC is at No. 12 Yinghua Road, Yongqing Industrial Park, Yongqing County, Langfang City, Hebei Province, the PRC.

Principal Activities and Business Review

The principal activities of the Group are manufacturing, distribution, research and development and operating lease of asphalt mixing plants and other equipment and sales of spare parts and modified equipment. The principal activities and other particulars of the subsidiaries are set out in Note 15 to the consolidated financial statements. During the year, there was no significant change in the Group's principal activities.

Detailed business review, including further discussions of the risks and uncertainties facing the Group, likely future development of the Group's business, and analysis on the financial key performance indicators, are set out in the Chairman's Statement on pages 4 to 6 of this Annual Report and the Management Discussion and Analysis on pages 7 to 19 of this Annual Report. These discussions form part of this Report of the Directors.

Results and Dividends

The loss of the Group for the year ended 31 December 2025 and the state of affairs of the Company and the Group as at 31 December 2025 are set out in the audited consolidated financial statements on pages 60 to 118 of this Annual Report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025. (2024: Nil).

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 3 of this Annual Report.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in Note 30 to the financial statements and the Consolidated Statement of Changes in Equity respectively.

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, leases and intangible assets) during the year are set out in Notes 12 to 14 to the consolidated financial statements.

Share Issued in the Year

Details of the movements in share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

Debentures Issued in the Year

No debentures were issued by the Company during the year ended 31 December 2025.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2025, the Company repurchased a total of 5,184,000 shares through the Stock Exchange, all of which have been cancelled as follows:

Month of repurchases	No. of shares repurchased	Price per share Highest (HK\$)	Price per share Lowest (HK\$)	Total consideration (in HKD)	Total consideration (in RMB)
January	116,000	0.75	0.71	85,000	77,000
April	5,068,000	0.72	0.60	3,175,000	2,885,000

The Directors considered that as the Company's shares were trading at a significant discount to its net asset value per share, the repurchase would increase its net asset value per share.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

Major Customers and Suppliers

During the year ended 31 December 2025, aggregate sales to the Group's largest and five largest customers accounted for 4.9% (2024: 8.6%) and 21.4% (2024: 22.5%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Groups largest and five largest suppliers accounted for 3.6% (2024: 3.6%) and 11.1% (2024: 12.7%), respectively, of the Groups total purchases for the year ended 31 December 2025. Aggregate purchases from the Groups largest and five largest subcontractors accounted for 6.2% (2024: 7.6%) and 25.7% (2024: 25.8%), respectively, of the Groups total purchases for the year ended 31 December 2025.

At no time during the year have the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers, suppliers and subcontractors.

Relationship with Employees

The Group recognises employees as the most important asset of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

REPORT OF THE DIRECTORS

Directors

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

Executive Directors

Ms. Choi Kwan Li, Glendy (*Chairman and Chief Executive Officer*) (*Appointed on 23 June 2025*)

Mr. Choi Hon Ting, Derek

Mr. Liu Tom Jing-zhi

Mr. Lao Kam Chi

Mr. Choi Hung Nang (*Chairman*) (*Resigned on 23 June 2025*)

Non-Executive Directors

Mr. Chan Lewis

Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

Mr. O'Yang Wiley

Mr. Lee Wai Yat, Paco

Ms. Hu Bingbing (*Appointed on 1 September 2025*)

Mr. Fok Wai Shun, Wilson (*Resigned on 1 September 2025*)

Mr. Li Zongjin (*Resigned on 23 June 2025*)

The Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this Annual Report still considers them to be independent.

Pursuant to Article 84 of the Articles of Association, Mr. Choi Hon Ting, Derek, Mr. O'Yang Wiley and Mr Liu Tom Jing-zhi shall retire at the forthcoming 2025 Annual General, and that all the retiring directors would offer themselves for re-election at the forthcoming 2026 Annual General Meeting. Ms. Hu Bingbing will be proposed for election as an independent non-executive director at the same annual general meeting.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out on pages 20 to 25 of this Annual Report.

Directors' Service Contracts

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021.

Mr. Lee Wai Yat, Paco, an independent non-executive director and Mr. Chan Lewis, a non-executive Director has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018, 27 May 2021 and 27 May 2024. Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019, 15 August 2022 and 15 August 2025. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 and renewed his service agreement with the Company for a further period of three years commencing from 1 May 2022 and 1 May 2025.

Ms. Hu Bingbing, a newly appointed independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 September 2025.

REPORT OF THE DIRECTORS

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than agreements expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

Details of the remuneration of the Directors are set out in Note 31 to the consolidated financial statements, which are recommended by the Remuneration Committee of the Company with reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2025, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares and underlying shares

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Ms. Choi Kwan Li, Glendy	Long	Interest in controlled corporation ⁽¹⁾	172,848,000	27.57%
	Long	Beneficial owner	4,150,000	0.66%
Mr. Choi Hon Ting, Derek	Long	Interest in controlled corporation ⁽¹⁾	172,848,000	27.57%
	Long	Beneficial owner	4,266,000	0.68%
Mr. Choi Hung Nang	Long	Beneficial owner	57,236,000	9.13%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation ⁽²⁾	13,500,000	2.15%
	Long	Interest of spouse ⁽²⁾	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.32%
Mr. Lao Kam Chi	Long	Interest in controlled corporation ⁽³⁾	9,000,000	1.44%
	Long	Beneficial owner	2,000,000	0.32%
Mr. Chan Lewis	Long	Beneficial owner	300,000	0.05%
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	400,000	0.06%
Mr. Alain Vincent Fontaine	Long	Beneficial owner	293,113	0.05%

REPORT OF THE DIRECTORS

(ii) Interests in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Long/Short position	Type of interest	Approximate percentage of shareholding in the Company
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	50%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	50%

Notes:

1. The 345,696,000 Shares were held by Prima DG, which is owned as to 50% by Ms. Choi Kwan Li, Glendy and 50% by Mr. Choi Hon Ting, Derek. Accordingly, by virtue of the SFO, each of Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek is deemed to be interested in all the Shares in which Prima DG is interested.
2. The 13,500,000 Shares were held by Zacks Vroom Investment Company Limited, a company wholly-owned by Mr. Liu Tom Jingzhi. The 150,000 Shares were held by his spouse, Ms. Thai Vanny. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in all the Shares in which Zacks Vroom Investment Company Limited and Ms. Thai Vanny are interested.
3. The 9,000,000 Shares were held by Denmike Investment Company Limited, a company wholly-owned by Mr. Lao Kam Chi. Accordingly, by virtue of the SFO, Mr. Lao is deemed to be interested in all the Shares in which Denmike Investment Company Limited is interested.

Save as disclosed above, as at 31 December 2025, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2025, so far as known to the Directors, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Prima DG ¹	Long	Beneficial owner	345,696,000	55.14%
Mr. Choi Hung Nang	Long	Beneficial owner	57,236,000	9.13%
Sure Precision Limited	Long	Beneficial owner	43,967,003	7.01%

Note:

1. As at 31 December 2025, Prima DG directly held 345,696,000 Shares. Prima DG is owned as to 50% by Ms. Choi Kwan Li, Glendy and 50% by Mr. Choi Hon Ting, Derek. Accordingly, by virtue of the SFO, each of Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek is deemed to be interested in all the Shares in which Prima DG is interested.

Save as disclosed above, as at 31 December 2025, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to resolutions of all shareholders passed on 6 May 2015 and was valid and effective for a period of 10 years commencing from that date, and expired on 5 May 2025. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of employees and directors of members of the Group and other selected participants. During the years ended 31 December 2025 and 31 December 2024, no share options were granted, cancelled, exercised or lapsed under the Share Option Scheme, no share-based payment expense was recognised, and there were no outstanding exercisable share options as at 31 December 2025 and 31 December 2024.

The Board may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "Eligible Participants") upon the terms set out in the Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day"); and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme. HK\$1.00 is payable by an Eligible Participant on acceptance of an offer of option. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme. There is no general requirement that an option must be held for any minimum period before it can be exercised.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the date on which the Shares were listed on the main board of the Stock Exchange on 27 May 2015 (the "Limit"), i.e. 60,000,000 Shares representing approximately 9.38% of the issued Shares as at the date of this Annual Report. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of the Group) will not be counted for the purpose of calculating the Limit. Subject to the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the Limit at any time provided that: (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit; (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the shareholders together with the notice of the relevant general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the Shares in issue from time to time.

REPORT OF THE DIRECTORS

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of the Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

On 5 June 2018 (the "Date of Grant"), options to subscribe for an aggregate of 23,100,000 Shares were granted to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on 5 June 2018 is HK\$1.12 per share. The adjusted closing price of the Shares immediately before the Date of Grant was HK\$1.12 per Share. There was no Eligible Participant with options granted in excess of the individual limit.

The fair value of the share options granted on 20 April 2016 and 5 June 2018 were estimated as at that date by an independent firm of professionally qualified valuers using the binomial option pricing model and taking into account the terms and conditions upon which the options were granted.

The binomial option pricing model required input of subjective assumption such as the expected stock price volatility. Change in subjective input may materially affect the fair value estimates.

Directors' Interests in Transactions, Arrangements or Contracts

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries was a party subsisting during or at the end of the year ended 31 December 2025.

Directors' Interests in Competing Business

During the year ended 31 December 2025 and up to the date of this Annual Report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Management Contracts

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

Equity-linked Agreements

The Company has not entered into any equity-linked agreements during the year ended 31 December 2025.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Rights to Acquire Shares or Debentures

At no time during the year ended 31 December 2025 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company and any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2025, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2025 are set out in Note 29 to the consolidated financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Subsequent Events

Save as disclosed in this Annual Report, there were no significant subsequent events after the reporting period of the Group.

Sufficiency of Public Float

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.

REPORT OF THE DIRECTORS

Auditor

The consolidated financial statements for the year ended 31 December 2025 of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ms. Choi Kwan Li, Glendy

Chairman

Hong Kong

27 March 2026

The Group continues to improve its environmental strategy and performance, promoting a more sustainable and environmentally friendly society. Under the theme “Promoting Green Road Construction, Accelerating the Journey to Carbon Neutrality,” this report highlights the Group’s sustainability initiatives, from responsible corporate governance to environmentally conscious green operations, while reiterating its commitment to social responsibility and stakeholder engagement. Numerous organizations have acknowledged the Group’s continuous efforts, and we have received industry certifications that highlights our sustainability accomplishments.

To align with People’s Republic of China (“China”) carbon peak and neutrality goals and contribute to the national sustainability agenda, the Group has prioritized low-carbon development and environmental protection in its technology and product research and development (“R&D”). Building on its established low-carbon targets and initiatives for 2022-2025, the Group has devised a comprehensive low-carbon action plan for 2026, which focuses on:

- Continuously advancing various technological innovation and business projects related to energy saving, emission reduction, and environmental protection to promote sustainable urban development
- Strengthening low-carbon and environmental protection training to enhance the sustainability awareness of employees, suppliers, and customers, and fostering a corporate culture of low-carbon practices
- Further enhancing the intelligence and digitalisation of factory equipment, replacing machinery and equipment with energy-efficient alternatives where appropriate to reduce greenhouse gas emissions
- Driving the Company’s sustainable development through energy management and emission reduction measures across all operational aspects
- Implementing green production models, strengthening on-site production management, improving operational efficiency while reducing energy consumption and pollutant emissions, and advancing the accreditation of “National Green Factory”
- Enhancing and improving the collection and analysis of Scope 3 emissions data
- Promoting the internal application of artificial intelligence and advancing smart product initiatives to integrate AI with equipment and improve energy efficiency

SUSTAINABILITY HIGHLIGHTS

Environmental Targets

D&G has set carbon reduction targets and is committed to achieving carbon neutrality by 2050. Building on this commitment, the Company has established various environmental objectives to drive sustainable development and has successfully met its 2025 energy-saving and emission reduction targets as planned. Looking ahead, D&G will continue to advance the implementation of its 2030 interim goals.

Index	Base Year Emissions	Target (by 2030 or before)
Energy Intensity (MWh/RMB'M revenue)	24.41 (Year 2018)	15.87 (Decrease by 35% or more)
Water Intensity (m ³ /number of employees)	69.3 (Year 2018)	48.51 (Decrease by 30% or more)
Air Emission Intensity (tonnes/RMB'M revenue)	0.0053 (Year 2018)	0.0034 (Decrease by 35% or more)
Carbon Intensity (tonnes of CO ₂ e/RMB'M revenue)	15.09 (Year 2018)	9.81 (Decrease by 35% or more)
Hazardous Waste Intensity (tonnes/RMB'M revenue)	0.243 (Year 2020) ^{Note}	0.158 (Decrease by 35% or more)

Note: The original plan was to purchase 5 additional sets of catalytic combustion equipment for spray booths in 2023. It is estimated that an additional 45 tonnes of hazardous waste will be generated per year, and the projected peak is expected to occur in 2023. The expected peak value is 0.291. By exploring new spray equipment and coatings in 2023, there is no need to purchase additional catalytic combustion equipment. Therefore, the peak value of hazardous waste emission intensity is taken as the highest value in the past five years, which is 0.243 in 2020.

Sustainability Performance at a glance

The sustainability performance is highlighted as follows:

Safe Production

- ISO 45001:2018 Occupational Health and Safety Management System certification
- Zero work fatality rate for 11 consecutive years

Innovative and Green Manufacturing

- Installed energy-efficient gas valves on workshop heating pipelines to reduce energy consumption
- Replaced four welding machines, achieving a 15% reduction in electricity consumption
- Deployed laser rust removal equipment, improving operational efficiency and reducing energy consumption by 30% under specific operating conditions
- Added secondary activated carbon adsorption to environmental protection facilities in a designated paint shop to lower pollutant emission concentrations
- Leveraged IoT and big data to achieve precise emission reduction and energy-saving management
- Upgraded the functionalities of DG Leap Cloud Industrial Internet to promote the application of AI in asphalt mixing stations
- Implemented green production models, with application materials for the “National Green Factory” submitted to the Ministry of Industry and Information Technology for approval
- Purchased two new energy electric vehicles and installed four additional charging stations for new energy vehicles to reduce fuel consumption and create infrastructure conditions for expanding the use of new energy vehicles
- Reduced steel consumption by 2.5 tons per unit through design improvements
- Continued to advance various environmental protection and low-carbon business projects, including the warm-mix foamed asphalt spreader project, recycled drum retrofitting, foamed asphalt cold recycling project, and low-carbon recycling initiatives

Staff Training

- 152 training topics – 170 hours of occupational health and safety training, 226 hours of professional knowledge training, and 85 hours of management and operations training, including 33.5 hours of training on carbon peak, carbon neutrality goals, and environmental awareness knowledge

Patents and Copyrights

- 270 registered patents – 19 invention patents, 8 design patents and 243 utility model patents
- 33 software patents

Environmental Performance

- In 2025, energy intensity decreased by 18.33% compared to 2024
- Water consumption per capita was 45.75 cubic meters
- Greenhouse gas emission intensity decreased by 9.81% compared to 2024
- Natural gas consumption decreased by 20.35% compared to 2024

SUSTAINABILITY HIGHLIGHTS

Recognition and Awards

Month	Award	Organiser/Organisation
2025/2	Yongqing County Government Quality Award	Yongqing County People's Government
2025/4	2024-2025 Outstanding Recycling Equipment Manufacturing Enterprise	APMC (Green City Construction: Asphalt Pavement Maintenance Technology Forum Organizing Committee)
2025/4	Third Prize of Hebei Provincial Science and Technology Progress Award	People's Government of Hebei Province
2025/5	China Top 50 Specialized Construction Machinery Manufacturer 2025	T50 Summit of World Construction Machinery Industry
2025/8	BOCHK Corporate Low-Carbon Environmental Leadership Awards 2024 – EcoChallenger	Bank of China (Hong Kong), Federation of Hong Kong Industries
2025/8	BOCHK Corporate Low-Carbon Environmental Leadership Awards 2024 – 10 Years+ EcoPioneer	Bank of China (Hong Kong), Federation of Hong Kong Industries
2025/8	BOCHK Corporate Low-Carbon Environmental Leadership Awards 2024 – Low-carbon Commitment	Bank of China (Hong Kong), Federation of Hong Kong Industries
2025/8	AAA-level Corporate Credit Rating Certification	Beijing Unicredit Consultant Company Limited
2025/9	UNSDG Achievement Awards Hong Kong 2025 – Sustainable Organization Merit Award	Green Council
2025/9	UNSDG Achievement Awards Hong Kong 2025 – SDG Leaders	Green Council
2025/9	Hebei Province Science and Technology Achievement Certificate – High-Content RAP Intelligent Mixing Equipment	Hebei Provincial Department of Science and Technology

SUSTAINABILITY HIGHLIGHTS

Month	Award	Organiser/Organisation
2025/11	Hebei Province Specialized and Sophisticated SME	Hebei Provincial Department of Industry and Information Technology
2025/11	Hong Kong Green Awards 2025 – Corporate Green Governance Award (Corporate Vision)	Green Council
2025/11	Hong Kong Green Awards 2025 – Sustainable Performance (10 Years+)	Green Council
2025/12	2024-2025 Outstanding Construction Machinery Equipment Production and Supply Enterprise	Guangdong Asphalt Concrete Supply Chain Association

Other Industrial/Green Technology Achievements:

Month	Achievement	Relevant Organisation
2025/8	The co-drafted national standard – “Asphalt Mixture Plant Heating Equipment (GB/T 25641–2025)” was officially released	State Administration for Market Regulation, National Standardization Administration
2025/10	The co-drafted industry standard – “Technical Specification for Construction of Mechanically Foamed Asphalt Mixture (T/CHCA 015–2025)” was officially released	China Highway Construction Industry Association
2025/11	The accreditation of the “Hebei Provincial Industrial Design Center” was approved	Hebei Provincial Department of Industry and Information Technology
2025/12	The self-developed Counterflow Asphalt Mixing Plant was approved as a “Hebei Provincial Industrial Design Achievement Transformation Project” and received a subsidy of 1 million yuan	Hebei Provincial Department of Industry and Information Technology

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF D&G TECHNOLOGY HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 60 to 118, comprise:

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

Our opinion

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

Basis for Opinion

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

We 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

The key audit matter identified in our audit is related to provision for slow-moving inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for slow-moving inventories</p> <p><i>Refer to Note 4(a) and Note 18 to the consolidated financial statements.</i></p> <p>At 31 December 2025, the carrying value, net of provision, of the Group's inventories amounted to RMB217 million, which represented approximately 29% of the Group's total assets. The cost of inventories may not be recoverable if they are aged and damaged, or become obsolete, or if their selling prices have declined.</p> <p>Management applied a provision methodology for slow-moving inventories based on inventory ageing profiles, historical utilisation rates and committed sales orders and made provision for long aged inventories and inventories identified as not utilisable.</p> <p>We focused on this area due to the magnitude of the inventory balances to the financial position of the Group. Significant judgements and estimations are involved in determining the adequacy of provision for slow-moving inventories.</p>	<p>Our procedures in relation to inventories included:</p> <ul style="list-style-type: none"> Understood, evaluated and validated the control procedures performed by management, including its periodic review on inventory obsolescence and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; Observed management's inventory counts to identify whether there are any damaged or obsolete inventories; Tested on a sample basis the accuracy of the ageing profile of individual inventory item by checking to the relevant good receipt documents; Evaluated the outcome of prior period assessment of inventories provision to assess the effectiveness of management's estimation process; and Evaluated management's basis for the inventory provision, the appropriateness of management's provision methodology and the outcome of management's estimations, analysis made by management and methodology applied to identify inventories that were not usable.

Based on the work performed, we found that management's assessment on provision for slow-moving inventories as at 31 December 2025 is supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in D&G Technology Holding Company Limited 2025 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Five Year Financial Summary, Management Discussion and Analysis and Report of the Directors, prior to the date of this auditor's report. The remaining other information, including Chairman's Statement, Biographical Details of Directors and Senior Management, Corporate Governance Report, Sustainability Highlights 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 express any form of assurance conclusion thereon.

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 CHAN, Hong Wing (practising certificate number: P07746).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Revenue	5	377,309	370,559
Cost of sales	7	(249,549)	(246,682)
Gross profit		127,760	123,877
Other income and other gains/(losses), net	6	2,835	169
Distribution costs	7	(90,031)	(72,310)
Administrative expenses	7	(66,192)	(66,106)
Net reversal of provision for impairment losses on financial assets	7	391	8,749
Operating loss		(25,237)	(5,621)
Finance income, net	9	7,157	10,164
Share of profit of associates, net	16	2,133	1,816
(Loss)/profit before income tax		(15,947)	6,359
Income tax expense	10	(37)	(1,946)
(Loss)/profit attributable to owners of the Company for the year		(15,984)	4,413
(Loss)/profit per share attributable to owners of the Company for the year			
– Basic (RMB cents)	11	(2.55)	0.69
– Diluted (RMB cents)	11	(2.55)	0.69

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
(Loss)/profit for the year	(15,984)	4,413
Other comprehensive (loss)/income:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of subsidiaries	15,625	(12,411)
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences on translation of the Company	(17,712)	14,486
Other comprehensive (loss)/income for the year, net of tax	(2,087)	2,075
Total comprehensive (loss)/income attributable to owners of the Company for the year	(18,071)	6,488

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	101,391	100,080
Intangible assets	14	1,122	1,485
Investments in associates	16	60,839	64,072
Deferred tax assets	23	11,613	11,094
Total non-current assets		174,965	176,731
Current assets			
Inventories	18	217,065	212,960
Trade and bills receivables	19	219,171	169,189
Prepayments, deposits and other receivables	20	84,715	108,198
Income tax recoverable		–	2
Pledged bank deposits	21	12,304	21,672
Cash and cash equivalents	21	32,149	48,926
Total current assets		565,404	560,947
Total assets		740,369	737,678
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	4,961	5,059
Other reserves		520,920	524,856
Retained earnings		18,365	35,364
Total equity		544,246	565,279
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	2,429	338
Deferred tax liabilities	23	4,500	4,500
Total non-current liabilities		6,929	4,838

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Current liabilities			
Trade and other payables	22	134,983	125,302
Contract liabilities	22	52,911	41,320
Lease liabilities	13	746	939
Income tax payable		554	–
Total current liabilities		189,194	167,561
Total liabilities		196,123	172,399
Total equity and liabilities		740,369	737,678

The consolidated financial statements on pages 60 to 118 were approved by the Board of Directors on 27 March 2026 and signed on its behalf.

Choi Hon Ting, Derek
Director

Choi Kwan Li, Glendy
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company						
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total equity
	(Note 24) RMB'000	(Note 24) RMB'000	(Note 24) RMB'000	(Note 25) RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	5,059	427,134	65,290	46,900	27,622	31,517	603,522
Comprehensive income:							
Profit for the year	-	-	-	-	-	4,413	4,413
Other comprehensive income:							
Currency translation differences	-	-	-	-	2,075	-	2,075
Total comprehensive income	-	-	-	-	2,075	4,413	6,488
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	-	-	-	566	-	(566)	-
Shares repurchased	-	-	(4,833)	-	-	-	(4,833)
Dividend paid	-	(39,898)	-	-	-	-	(39,898)
Total transactions with owners	-	(39,898)	(4,833)	566	-	(566)	(44,731)
Balance at 31 December 2024	5,059	387,236	60,457	47,466	29,697	35,364	565,279
Balance at 1 January 2025	5,059	387,236	60,457	47,466	29,697	35,364	565,279
Comprehensive loss:							
Loss for the year	-	-	-	-	-	(15,984)	(15,984)
Other comprehensive loss:							
Currency translation differences	-	-	-	-	(2,087)	-	(2,087)
Total comprehensive loss	-	-	-	-	(2,087)	(15,984)	(18,071)
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	-	-	-	1,015	-	(1,015)	-
Shares repurchased	-	-	(2,962)	-	-	-	(2,962)
Cancellation of shares repurchased	(98)	-	98	-	-	-	-
Total transactions with owners	(98)	-	(2,864)	1,015	-	(1,015)	(2,962)
Balance at 31 December 2025	4,961	387,236	57,593	48,481	27,610	18,365	544,246

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Cash used in operations	27(a)	(4,559)	(84,665)
Income tax paid		-	(2,885)
Net cash used in operating activities		(4,559)	(87,550)
Cash flows from investing activities			
Payments for purchases of intangible assets	14	(114)	(145)
Payments for purchases of property, plant and equipment		(7,974)	(1,724)
Proceeds from disposal of property, plant and equipment	27(c)	269	84
Proceeds from redemption of financial assets at fair value through profit or loss		-	20,000
Interest received	9	518	3,507
Investment in an associate	16	(200)	-
Net cash (used in)/generated from investing activities		(7,501)	21,722
Cash flows from financing activities			
Repayments of borrowings	27(b)	-	(921)
Principal elements of lease liabilities	27(b)	(1,395)	(1,436)
Addition of pledged bank deposits		-	(329)
Payment for shares repurchase	24	(2,962)	(4,833)
Dividend paid	26	-	(39,898)
Interest paid	9	-	(162)
Net cash used in financing activities		(4,357)	(47,579)
Net decrease in cash and cash equivalents		(16,417)	(113,407)
Cash and cash equivalents at beginning of the year		48,926	161,654
Exchange (loss)/gain on cash and cash equivalents		(360)	679
Cash and cash equivalents at end of the year		32,149	48,926

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

D&G Technology Holding Company Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing, distribution, research and development of asphalt mixing plants, other asphalt specialty equipment and sales of spare parts and modified equipment.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015.

The consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards (“HKFRSs”), which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amended standards adopted by the Group

The Group has adopted the following amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2025:

Amendments to HKAS 21 and HKFRS 1

Lack of Exchangeability

The adoption of the above amended standards did not have any significant financial impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted

Certain new and amended standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group.

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

Management is in the process of assessing potential impact of the above new and amended standards and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether these new and amended standards and interpretations will have a significant impact on the Group's results of operations and financial position.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and the business environment of the industry in which the Group operates, and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to RMB, Hong Kong Dollars ("HK\$") and United States Dollars ("USD"). Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

As at 31 December 2025, certain RMB denominated cash and bank deposits were held by Hong Kong group entities, the functional currency of which is HK\$ (2024: Same). If RMB had strengthened/weakened by 5% (2024: 5%) against HK\$ with all other variables held constant, the post-tax loss (2024: profit) for the year would have been RMB332,000 lower/higher (2024: RMB80,000 higher/lower), mainly as a result of foreign exchange gains/losses on these RMB denominated cash and deposits.

The currency risk on assets and liabilities denominated in USD which were mainly held by Hong Kong group entities, the functional currency of which is HK\$, is considered to be minimal as HK\$ is currently pegged to USD (2024: Same).

The currency risk on assets and liabilities denominated in HK\$ which were held by People Republic of China ("PRC" or "Chinese Mainland") group companies, the functional currency of which is RMB, is considered to be minimal as these group companies had limited HK\$denominated assets and liabilities (2024: Same).

(ii) Cash flow interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables and other receivables.

The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected credit risk characteristic in their impairment assessments.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The credit quality of the customers is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit history.

As at 31 December 2025, the top 5 trade receivable balances account for 20% (2024: 34%) of the Group's total year end gross trade receivable balances.

Impairment of financial assets

The Group has the following financial assets that are subject to HKFRS 9's expected credit loss model:

- Trade and bills receivables
- Deposits and other receivables excluding prepayments
- Pledged bank deposits and cash and cash equivalents

While cash and cash equivalents and pledged bank deposits are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and days past due and collectively assessed for likelihood of recovery, taking into account the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has identified the Consumer Price Index, the Purchasing Managers' Index, and other relevant factors, and accordingly adjusts historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

The following table presents the balances of gross carrying amounts and the loss allowance in respect of trade receivables assessed on individual and collective basis as at 31 December 2025 and 2024:

	Gross carrying amount RMB'000	Weighted average expected credit loss rates	Loss allowance RMB'000
As of 31 December 2025			
Individual basis	48,708	100%	48,708
Collective basis			
Within 1 year	205,410	1%	1,662
1 to 2 years	17,745	3%	564
2 to 3 years	1,489	42%	630
Over 3 years	11,685	100%	11,685
	285,037		63,249
As of 31 December 2024			
Individual basis	36,085	100%	36,085
Collective basis			
Within 1 year	147,779	1%	1,192
1 to 2 years	19,022	4%	816
2 to 3 years	3,282	29%	966
Over 3 years	24,581	100%	24,581
	230,749		63,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

The changes in loss allowances for all trade receivables are set out as follows:

	2025 RMB'000	2024 RMB'000
Opening loss allowance as at 1 January	63,640	72,389
Decrease in loss allowance recognised in consolidated statement of profit or loss during the year (Note 7)	(391)	(8,749)
At 31 December	63,249	63,640

The movements of impairment losses on trade receivables are presented as net reversal of provision for impairment losses on financial assets within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

For other financial assets at amortised cost including deposits, other receivables and bills receivables, management considers that their credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The credit risk on these financial assets is assessed by management to be immaterial (2024: Same) after considering the financial conditions of these entities. Accordingly, the impairment provision is determined based on the 12-month expected credit loss which is minimal. As at 31 December 2025 and 2024, substantially all of the Group's bank balances are deposited in major financial institutions located in the Chinese Mainland and Hong Kong. Management does not expect any losses from non-performance by these banks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by the Group over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following tables analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the date of the consolidated statement of financial position) and the earliest date the Group can be required to pay.

	At 31 December 2025			Carrying amount on consolidated statement of financial position RMB'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Lease liabilities	991	2,539	3,530	3,175
Trade and other payables (Note)	122,813	–	122,813	122,813
	123,804	2,539	126,343	125,988

	At 31 December 2024			Carrying amount on consolidated statement of financial position RMB'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Lease liabilities	1,007	362	1,369	1,277
Trade and other payables (Note)	120,097	–	120,097	120,097
	121,104	362	121,466	121,374

Note: The balance presented above excludes accrued staff costs and other provisions.

3 Financial risk management (Continued)

3.2 Capital risk 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, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities including trade and bills receivables, prepayments, deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables and lease liabilities approximate their fair values.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2025 and 2024.

4 Critical accounting estimates and judgments

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

(a) Provision for slow-moving inventories

The Group estimates the provision for inventory based on inventory ageing profiles, historical inventory utilisation rates and committed sales orders and made provision for slow-moving inventories. Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provision for inventory in the years in which such estimates have been changed.

(b) Recoverability of trade receivables

Provision for expected credit losses is made when the Group will not collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgment has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

(a) Revenue from external customers by country

	2025 RMB'000	2024 RMB'000
Chinese Mainland	346,316	301,575
Outside Chinese Mainland	30,993	68,984
	377,309	370,559

(b) Non-current assets

The geographical location of the non-current assets, excluding deferred tax assets, based on the physical location of the assets is analysed as follows:

	2025 RMB'000	2024 RMB'000
Chinese Mainland	113,100	112,580
Outside Chinese Mainland	50,252	53,057
	163,352	165,637

(c) Information about major customer

No customer with whom transactions exceeded 10% of the Group's revenue for the years ended 31 December 2025 and 2024.

(d) Contract liabilities

The Group recognised the following revenue related contract liabilities as at 31 December:

	2025 RMB'000	2024 RMB'000
Contract liabilities	52,911	41,320

(i) Significant change in contract liabilities

Contract liabilities of the Group mainly represent the advance payments made by customers while the underlying goods or services are yet to be delivered. Contract liabilities increased as a result of the fluctuation in sales orders with advance payments.

(ii) Unsatisfied performance obligations

During the year ended 31 December 2025, except for RMB11,071,000 (2024: RMB28,356,000) that has not been recognised as revenue, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(iii) Assets recognised from costs to fulfil a contract

As at 31 December 2025, no contract assets was recognised (2024: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

(e) Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods or rendering of services in the ordinary course of the Group's activity.

Revenue is recognised when or as the control of the good or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset that an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below:

(i) *Sale of goods*

The Group manufactures and sells asphalts mixing plants, spare parts, modified equipment, bitumen, bitumen tanks and equipment. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to and installed at the customers' premises and accepted by the customers, the customers have full discretion over the channel and price to sell the products and the use of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Accordingly, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered to and accepted by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) *Financing components*

The Group adjusts the transaction prices at initial recognition for the time value of money in respect of certain sales of asphalt mixing plants as the Group expects that the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. The Group does not adjust the transaction prices for the time value of money in respect of other sale transactions as the Group does not expect the collection of related trade receivables exceeds one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains/(losses), net

	2025 RMB'000	2024 RMB'000
Other income		
Government grants (Note)	1,408	1,257
Others	1,307	–
	2,715	1,257
Other gains/(losses), net		
Fair value gain on a financial asset at fair value through profit or loss	–	240
Interest income from a financial asset at fair value through profit or loss, net of tax	–	409
Loss on disposal of property, plant and equipment	(72)	(315)
Net foreign exchange gains/(losses)	192	(1,957)
Others	–	535
	120	(1,088)
Other income and other gains/(losses), net	2,835	169

Note:

The amount mainly represents operating subsidies. There were no unfulfilled conditions or other contingencies attached to these grants.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

	2025 RMB'000	2024 RMB'000
Cost of inventories (Note 18)	235,627	240,871
Freight and transportation expenses	14,674	8,827
Employee benefit expenses (including directors' emoluments) (Note 8(a))	74,517	69,026
Depreciation and amortisation (Notes 12 and 14)		
– Property, plant and equipment	7,285	7,597
– Intangible assets	467	812
Net reversal of provision for impairment losses on trade receivables (Note 3.1(b))	(391)	(8,749)
Provision for/(reversal of provision for) impairment of inventories, net (Note 18)	5,560	(2,727)
Commission to distributors	19,243	13,223
Travelling expenses	7,661	7,371
Marketing expenses	6,546	4,470
Repair and maintenance expenses	6,750	8,134
Legal and professional fee	11,129	9,120
Auditor's remunerations		
– Audit services	940	950
– Non-audit services	310	300
Other expenses	15,063	17,124
Total cost of sales, distribution costs, administrative expenses and net reversal of provision for impairment losses on financial assets	405,381	376,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (including directors' emoluments)

(a) Employee benefit expenses during the year are as follows:

	2025 RMB'000	2024 RMB'000
Wages, salaries and allowances	61,285	57,278
Pension costs – defined contribution plans (Note)	13,232	11,748
	74,517	69,026

Note:

Employees of the Group's Chinese Mainland subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government (the "PRC Pension Scheme"). The Group's Chinese Mainland subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

Contributions to the MPF Scheme and the PRC Pension Scheme vest immediately. During the years ended 31 December 2025 and 2024, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2025 and 2024, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

(b) Five highest paid individuals

During the years ended 31 December 2025 and 2024, the five individuals whose emoluments were the highest in the Group for the year included five directors whose emoluments are reflected in the analysis shown in Note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Finance income, net

	2025 RMB'000	2024 RMB'000
Finance cost		
Interest expenses on bank borrowings	–	(162)
Interest expenses on lease liabilities	(78)	(93)
	(78)	(255)
Finance income		
Interest income on bank deposits	518	3,507
Unwinding discount interest on trade receivables not expected to be settled within one year	6,717	6,912
	7,235	10,419
Finance income, net	7,157	10,164

10 Income tax expense

(a) Income tax expense

	2025 RMB'000	2024 RMB'000
PRC corporate income tax	–	30
Withholding tax	556	618
Under-provision in prior years	–	134
	556	782
Deferred income tax	(519)	1,164
	37	1,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (Continued)

(b) Reconciliation of tax expense and the accounting (loss)/profit before income tax multiplied by domestic tax rate for 2025 and 2024

	2025 RMB'000	2024 RMB'000
(Loss)/profit before income tax	(15,947)	6,359
Notional tax on (loss)/profit before income tax, calculated at the rates applicable to the jurisdictions concerned (i)	(672)	2,477
Effect of preferential tax rate (ii)	(968)	919
Tax losses and other temporary differences for which no deferred tax asset was recognised	3,989	2,797
Income not subject to tax	(134)	(2,649)
Additional deduction for qualified research and development expenses (iii)	(2,734)	(2,350)
Withholding tax in respect of dividend declared by the subsidiaries in Chinese Mainland (iv)	–	618
Withholding tax in respect of dividend declared by an associate in Chinese Mainland (v)	556	–
Under-provision in prior years	–	134
	37	1,946

The change in weighted average applicable tax rates is mainly caused by a change in mix of (loss)/profit of different group companies which are subject to different tax rates.

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax for the subsidiaries incorporated or operated in Hong Kong was made as the subsidiaries did not have assessable profits subject to Hong Kong profits tax (2024: Nil).

No provision for Singapore and Pakistan income tax was made for the subsidiaries incorporated in these countries, as the subsidiaries did not have assessable profits subject to Singapore and Pakistan income tax (2024: Nil).

The Group's Chinese Mainland subsidiaries are subject to PRC corporate income tax rate of 25% (2024: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (Continued)

(b) Reconciliation of tax expense and the accounting (loss)/profit before income tax multiplied by domestic tax rate for 2025 and 2024 (Continued)

- (ii) A wholly-owned subsidiary of the Company, Langfang D&G Machinery Technology Company Limited (“Langfang D&G”), is qualified as a “high new technology enterprise” under the PRC corporate income tax law and relevant regulations and it is entitled to a preferential income tax rate of 15% (2024: 15%).
- (iii) Under the PRC corporate income tax law and relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenses.
- (iv) The withholding tax rate was 5% on the remittance of dividends from the subsidiaries in the Chinese Mainland during the year.
- (v) The withholding tax rate was 10% on the remittance of dividends from an associate in the Chinese Mainland during the year.

11 (Loss)/profit per share

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

	2025	2024
(Loss)/profit attributable to owners of the Company (RMB'000)	(15,984)	4,413
Weighted average number of ordinary shares in issue	626,745,638	638,800,142
Basic (loss)/profit per share (expressed in RMB cents per share)	(2.55)	0.69

For the years ended 31 December 2025 and 2024, diluted (loss)/profit per share is the same as basic (loss)/profit per share as there were no potential dilutive shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment

	Leasehold land RMB'000	Land use right RMB'000	Leased properties RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2025										
Opening net book amount	49,313	4,180	889	40,618	1,604	1,299	606	1,516	55	100,080
Additions	-	-	3,241	-	-	6,796	763	415	-	11,215
Disposals	-	-	-	-	-	(20)	(321)	-	-	(341)
Transfers	-	-	-	-	55	-	-	-	(55)	-
Depreciation charge for the year	(59)	(131)	(1,204)	(3,412)	(458)	(1,427)	(262)	(332)	-	(7,285)
Exchange differences	(2,135)	-	(14)	(108)	(3)	-	(15)	(3)	-	(2,278)
Closing net book amount	47,119	4,049	2,912	37,098	1,198	6,648	771	1,596	-	101,391
At 31 December 2025										
Cost	47,629	6,533	7,261	80,561	4,660	35,549	2,343	8,805	-	193,341
Accumulated depreciation	(510)	(2,484)	(4,349)	(43,463)	(3,462)	(28,901)	(1,572)	(7,209)	-	(91,950)
Net book amount	47,119	4,049	2,912	37,098	1,198	6,648	771	1,596	-	101,391
Year ended 31 December 2024										
Opening net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582
Additions	-	-	1,073	-	673	550	44	457	-	2,797
Disposals	-	-	-	(46)	-	(281)	(9)	(63)	-	(399)
Early termination of lease	-	-	(38)	-	-	-	-	-	-	(38)
Depreciation charge for the year	(59)	(131)	(1,233)	(3,480)	(426)	(1,715)	(275)	(278)	-	(7,597)
Exchange differences	1,618	-	14	88	-	-	13	2	-	1,735
Closing net book amount	49,313	4,180	889	40,618	1,604	1,299	606	1,516	55	100,080
At 31 December 2024										
Cost	49,786	6,533	4,173	80,749	4,692	28,955	2,027	8,486	55	185,456
Accumulated depreciation	(473)	(2,353)	(3,284)	(40,131)	(3,088)	(27,656)	(1,421)	(6,970)	-	(85,376)
Net book amount	49,313	4,180	889	40,618	1,604	1,299	606	1,516	55	100,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (Continued)

Depreciation expenses amounted to RMB7,285,000 (2024: RMB7,597,000) were charged to the consolidated statement of profit or loss during the year ended 31 December 2025.

As at 31 December 2025, leasehold land, land use right and leased properties amounted to RMB47,119,000, RMB4,049,000 and RMB2,912,000 (2024: RMB49,313,000, RMB4,180,000 and RMB889,000), respectively, represented right-of-use assets of the Group upon adoption of HKFRS 16.

As at 31 December 2025, buildings and land use right with net book amount of RMB22,491,000 (2024: RMB24,749,000) and RMB4,049,000 (2024: RMB4,180,000) respectively were pledged as security for bills payables (Notes 22(ii)). Land use right with net book amount of RMB4,049,000 (2024: RMB4,180,000) represented pieces of land located in the Chinese Mainland with lease periods of 50 years expiring in 2056.

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over shorter of their estimated useful lives or the lease term in the case of leasehold improvements as follows:

Buildings	10 – 20 years
Leasehold improvements	over the shorter of the lease term or 5 years
Machinery	3 – 10 years
Office equipment and furniture	4 – 10 years
Motor vehicles	5 years
Leasehold land, land use right and leased properties	over the lease term

See Note 32.5 for the other accounting policies relevant to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Leases

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

The Group leases various properties primarily located in Chinese Mainland and Hong Kong. Rental contracts are typically made for fixed periods of 2 to 5 years.

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

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

	2025 RMB'000	2024 RMB'000
Right-of-use assets (included in property, plant and equipment (Note 12))		
Leasehold land (Note)	47,119	49,313
Land use right (Note)	4,049	4,180
Leased properties	2,912	889
	54,080	54,382
Lease liabilities		
Current	746	939
Non-current	2,429	338
	3,175	1,277

Note:

The Group has land lease arrangements in the Chinese Mainland and leasehold land in Hong Kong.

Additions to the right-of-use assets during the year ended 31 December 2025 were RMB3,241,000 (2024: RMB1,073,000) (Note 27(b)).

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

Depreciation expenses amounted to RMB1,204,000 (2024: RMB1,233,000), RMB59,000 (2024: RMB59,000) and RMB131,000 (2024: RMB131,000) related to leased properties, leasehold land and land use right respectively were charged to the consolidated statement of profit or loss during the year ended 31 December 2025.

Interest expense in relation to lease liabilities amounted to RMB78,000 (2024: RMB93,000) was charged to the consolidated statement of profit or loss and was included in finance cost.

The total cash outflow for leases for the year ended 31 December 2025 was RMB1,395,000 (2024: RMB1,436,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	RMB'000
Year ended 31 December 2024	
Opening net book amount	2,147
Addition	145
Amortisation charge (Note 7)	(812)
Exchange difference	5
Closing net book amount	1,485
At 31 December 2024	
Cost	9,669
Accumulated amortisation	(8,184)
Net book amount	1,485
Year ended 31 December 2025	
Opening net book amount	1,485
Addition	114
Amortisation charge (Note 7)	(467)
Exchange difference	(10)
Closing net book amount	1,122
At 31 December 2025	
Cost	9,773
Accumulated amortisation	(8,651)
Net book amount	1,122

The Group's intangible assets mainly represent computer software. Amortisation of approximately RMB467,000 (2024: RMB812,000) is included in administrative expenses.

Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

IT development and computer software 5 years

See Note 32.7 for the other accounting policies relevant to intangible assets, and Note 32.8 for the Group's policy regarding impairments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Subsidiaries

The directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Particulars of the principal subsidiaries as at 31 December 2025 and 2024 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Legal form	Particulars of issued share capital/paid-in capital	Proportion of equity interest directly held by the Company	Proportion of equity interest held by the Group
Rich Benefit International Limited ("Rich Benefit") (萬利國際有限公司)	The British Virgin Islands	Investment holding	Limited liability	100 shares of US\$1 each (2024: Same)	100% (2024: Same)	100% (2024: Same)
BW Enterprise Company Limited ("BW Enterprise") (百威企業有限公司)	Hong Kong	Investment holding and sales of asphalt mixing plants	Limited liability	HK\$30,000,000 (2024: Same)	100% (2024: Same)	100% (2024: Same)
Langfang D&G* (廊坊德基機械科技有限公司)	Chinese Mainland	Manufacture of asphalt mixing plants	Foreign investment enterprise with Limited liability	Registered and paid-in capital of RMB200,000,000 (2024: Same)	100% (2024: Same)	100% (2024: Same)
Super Diamond Group Ltd	The British Virgin Islands	Investment holding	Limited liability	100 shares of US\$1 each (2024: Same)	100% (2024: Same)	100% (2024: Same)

* The official name of this company is in Chinese. The English translation of the name is for reference only.

16 Investments in associates

The movement of the investments in associates during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	64,072	62,256
Addition (Note)	200	–
Share of profit, net	2,133	1,816
Dividend	(5,566)	–
Balance at 31 December	60,839	64,072

Set out below are the details of an associate of the Group as at 31 December 2025 which, in the opinion of the directors, is material to the Group. The entity listed below has paid-in capital consisting solely of equity interests, which is held indirectly by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investments in associates (Continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	Carrying Amounts 2025 RMB'000	Carrying Amounts 2024 RMB'000
Topp Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Topp") 拓菩融資租賃(上海) 有限公司	Chinese Mainland	33.33% (2024: Same)	Associate	Equity method	60,683	64,072

Note:

During the year ended 31 December 2025, the Group invested in a 20% ownership interest in a newly set up associate, namely Hangzhou Honglian Intelligent Technology Co., Ltd. 杭州宏鏈智能科技有責任公司 ("Hangzhou Honglian"), with an investment cost of RMB200,000.

(i) Summarised financial information for an associate

The tables below present the summarised financial information for the Group's material associate. The information disclosed reflects the amounts presented in the financial statements of the relevant associate but not the Company's share of those amounts. They have been amended to reflect the adjustments made when using the equity method, including fair value adjustments and modifications for differences in accounting policies, where necessary.

Summarised statement of financial position of Shanghai Topp

	2025 RMB'000	2024 RMB'000
Current assets		
– Cash and cash equivalents	118,335	91,991
– Other current assets	79,837	112,828
Total current assets	198,172	204,819
Total non-current assets	1,142	1,145
Current liabilities		
– Financial liabilities	(12,789)	(12,673)
– Other current liabilities	(6,498)	(3,095)
Total current liabilities	(19,287)	(15,768)
Net assets	180,027	190,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investments in associates (Continued)

(i) Summarised financial information for an associate (Continued)

Reconciliation to carrying amounts of Shanghai Topp

	2025 RMB'000	2024 RMB'000
Opening net assets as at 1 January	190,196	184,748
Profit for the year ended 31 December	6,531	5,448
Dividend declared	(16,700)	–
Closing net assets	180,027	190,196
Group's equity interest	33.33%	33.33%
Group's share of net assets	60,003	63,392
Fair value gain on retained investment	680	680
Carrying amount as at 31 December	60,683	64,072

Summarised statement of comprehensive income of Shanghai Topp

	For the year ended 31 December 2025 RMB'000	For the year ended 31 December 2024 RMB'000
Revenue	8,371	8,684
Finance income	1,617	948
Depreciation expenses	(3)	(3)
Other operating expenses	(1,277)	(1,046)
Income tax expenses	(2,177)	(3,135)
Profit and total comprehensive income for the year	6,531	5,448

Certain customers financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. With respect to these leasing arrangements, the Group provided guarantee to Shanghai Topp amounted up to RMB54,661,000 (2024: RMB85,756,000) as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investments in associates (Continued)

(ii) Individually immaterial associate

In addition to the interests in an associate disclosed above, the group also has interests in an individually immaterial associate that are accounted for using the equity method.

	2025 RMB'000	2024 RMB'000
Aggregate carrying amount of an individually immaterial associate	156	–
Aggregate amounts of the Group's share of:		
Loss and total comprehensive loss for the year	(44)	–

There were no commitments and contingent liabilities in respect of the associates as at 31 December 2025 and 2024.

17 Financial instruments by category

The Group holds the following financial instruments:

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and bills receivables (Note 19)	219,171	169,189
Deposits and other receivables, excluding prepayments (Note 20)	35,812	30,134
Pledged bank deposits (Note 21)	12,304	21,672
Cash and cash equivalents (Note 21)	32,149	48,926
	299,436	269,921
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables*	122,813	120,097
Lease liabilities (Note 13)	3,175	1,277
	125,988	121,374

* Excluding non-financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Inventories

	2025 RMB'000	2024 RMB'000
Raw materials	62,133	64,179
Work in progress	154,932	142,285
Finished goods	–	6,496
	217,065	212,960

The carrying amount of the inventories is presented as net of provision. The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately RMB235,627,000 (2024: RMB240,871,000). The inventories as at 31 December 2025 and 2024 were stated at the lower of cost and net realisable value. The provision for impairment of inventories of RMB5,560,000 (2024: net reversal of provision for impairment of inventories of RMB2,727,000) has been included in “cost of sales” in the consolidated statement of profit or loss for the year ended 31 December 2025.

19 Trade and bills receivables

	2025 RMB'000	2024 RMB'000
Trade receivables from third-parties	285,037	230,749
Loss allowance	(63,249)	(63,640)
Discounting impact	(3,990)	(3,984)
	217,798	163,125
Bills receivables	1,373	6,064
Total trade and bills receivables	219,171	169,189

Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case-by-case basis, subject to the fulfilment of conditions as stipulated in the respective sales contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Trade and bills receivables (Continued)

The ageing analysis of the trade receivables as at the end of the year is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	205,410	147,779
1 to 2 years	17,745	19,022
2 to 3 years	1,489	3,282
Over 3 years	60,393	60,666
	285,037	230,749

The carrying amounts of the Group's gross trade and bills receivables were mainly denominated in RMB.

(i) Classification as trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 32.11 for a further information for the Group's accounting for trade receivables and Note 32.9.4 and Note 3.1(b) for a description of the Group's impairment policies.

(ii) Fair values of trade and bills receivables

The carrying amounts of trade and bills receivables approximated their fair values.

(iii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the loss allowance of trade receivables and the Group's exposure to credit risk on trade receivables can be found in Note 3.1(b).

The creation and release of loss allowance has been disclosed in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date was the carrying values of each class of receivables mentioned above. The Group did not hold any other collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Prepayments, deposits and other receivables

	2025 RMB'000	2024 RMB'000
Current:		
Prepayments	48,903	78,064
Deposits and other receivables	35,812	30,134
Total prepayments, deposits and other receivables	84,715	108,198

Note:

The carrying amounts approximated their fair values.

As at 31 December 2025, other receivables included dividend receivable from an associate of approximately RMB5,566,000 (2024: Nil) (Note 29(b)).

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	84,524	103,416
HK\$	160	4,751
USD	31	31
	84,715	108,198

Information about the loss allowance of deposits and other receivables and the Group's exposure to credit risk on deposits and other receivables can be found in Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Cash and cash equivalents and pledged bank deposits

The Group's cash and bank balances comprise the following:

	2025 RMB'000	2024 RMB'000
Cash at bank	32,125	48,897
Cash on hand	24	29
Cash and cash equivalents	32,149	48,926
Restricted bank deposits pledged in respect of banking facilities	4,833	4,943
Restricted bank deposits pledged in respect of bills payables	7,471	16,729
Pledged bank deposits	12,304	21,672
Total cash and cash equivalents and pledged bank deposits	44,453	70,598

The effective interest rate on bank deposits was 2.13% (2024: 2.53%) per annum.

The Group's cash and bank balances were denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	33,900	59,237
HK\$	5,275	5,686
USD	5,155	5,387
Others	123	288
	44,453	70,598

Restrictions

Bank balances of the Group as at 31 December 2025 amounting to RMB27,240,000 (2024: RMB56,463,000) were placed with certain banks in the Chinese Mainland. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade and other payables and contract liabilities

	2025 RMB'000	2024 RMB'000
Current:		
Trade payables	44,438	26,307
Bills payables	40,745	64,091
Trade and bills payables (Note (i))	85,183	90,398
Amount due to an associate	6,473	–
Amount due to a related party	83	252
Other payables and accruals	43,244	34,652
	49,800	34,904
Total trade and other payables	134,983	125,302
Contract liabilities	52,911	41,320
Trade and other payables and contract liabilities (Note (iii))	187,894	166,622

Notes:

- (i) The ageing analysis of trade and bills payables as at the end of the year based on invoice date is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	61,661	56,814
After 3 months but within 6 months	13,853	28,082
After 6 months but within 1 year	7,377	3,342
Over 1 year	2,292	2,160
	85,183	90,398

- (ii) As at 31 December 2025, bills payables of RMB40,745,000 (2024: RMB64,091,000) were secured by the Group's pledged bank deposits of RMB7,471,000 (2024: RMB16,729,000), buildings of RMB22,491,000 (2024: RMB24,749,000) and land use right of RMB4,049,000 (2024: RMB4,180,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade and other payables and contract liabilities (Continued)

Notes: (Continued)

(iii) The carrying amounts of the Group's trade and other payables and contract liabilities are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	185,671	165,148
HK\$	2,074	1,315
Others	149	159
	187,894	166,622

23 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	11,613	11,094
Deferred tax liabilities	4,500	4,500

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2025 RMB'000	2024 RMB'000
Provision for impairment of trade receivables	10,280	10,339
Others	1,333	755
	11,613	11,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

The movement in deferred tax assets during the year is as follows:

Deferred tax assets arising from:	Provision for impairment of trade receivables RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2024	11,651	607	12,258
(Charge)/credit to profit or loss	(1,312)	148	(1,164)
Balance at 31 December 2024	10,339	755	11,094
Balance at 1 January 2025	10,339	755	11,094
(Charge)/credit to profit or loss	(59)	578	519
Balance at 31 December 2025	10,280	1,333	11,613

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2025, the Group has estimated unused tax losses of approximately RMB160,242,000 (2024: RMB161,408,000) that can be carried forward against future taxable income. No deferred tax assets have been recognised in respect of the tax losses as the realisation of the related tax benefit through future taxable profit from these tax losses carryforwards is not probable. Total unrecognised tax losses of approximately RMB130,001,000 (2024: RMB114,087,000) can be carried forward indefinitely while unrecognised tax losses of approximately RMB30,241,000 (2024: RMB47,321,000) can be carried forward in coming ten years. Tax losses of approximately RMB21,732,000 and RMB8,509,000 will be expired in 2034 and 2035 respectively (2024: Tax losses of approximately RMB11,736,000 and RMB27,076,000 and RMB8,509,000 will be expired in 2033, 2034 and 2035 respectively).

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2025 RMB'000	2024 RMB'000
Withholding tax on undistributed earnings	4,500	4,500

There is no movement in deferred tax liabilities during the year.

The PRC corporate income tax law and relevant regulations impose a withholding tax at 5%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of Chinese Mainland enterprises accumulated from 1 January 2008 to overseas shareholders. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Share capital, share premium and capital reserve

Authorised:

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares '000	Nominal value of ordinary shares HK\$'000	Nominal value of ordinary shares RMB'000	Share Premium (Note (ii)) RMB'000	Capital reserve (Note (iii)) RMB'000
At 1 January 2024	639,408	6,395	5,059	427,134	65,290
Shares repurchased (Note (i))	–	–	–	–	(4,833)
Dividend paid	–	–	–	(39,898)	–
At 31 December 2024	639,408	6,395	5,059	387,236	60,457
At 1 January 2025	639,408	6,395	5,059	387,236	60,457
Shares repurchased (Note (i))	–	–	–	–	(2,962)
Cancellation of shares repurchased (Note (i))	(12,424)	(125)	(98)	–	98
At 31 December 2025	626,984	6,270	4,961	387,236	57,593

24 Share capital, share premium and capital reserve (Continued)

Notes:

- (i) During the year ended 31 December 2025, the Company repurchased a total of 5,184,000 of its own shares at an aggregated cost of approximately RMB2,962,000. In addition, the Company cancelled a total of 12,424,000 repurchased shares with an aggregated cost of approximately RMB7,795,000 during the year. Such amount includes the balance of 7,240,000 shares repurchased with an aggregated cost of approximately RMB4,833,000 which were yet to be cancelled as at 1 January 2025.
- (ii) Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.
- (iii) Capital reserve comprises contributions by the controlling shareholder arising from transactions with owners in their capacity as the equity owners.

25 Statutory reserve

The PRC laws and regulations require companies registered in the Chinese Mainland to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A Chinese Mainland company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

26 Dividends

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2025 and 2024.

At a board meeting held on 23 May 2024, the directors of the Company recommended the payment of a special dividend of approximately HK\$0.07 per ordinary share, totalling HK\$43.9 million (equivalent to RMB39.9 million) for the year ended 31 December 2024, which was paid in June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Note to consolidated statement of cash flows

(a) Cash used in operations

Reconciliation of (loss)/profit before income tax to cash used in operations is as follows:

	Note	2025 RMB'000	2024 RMB'000
(Loss)/profit before income tax		(15,947)	6,359
Adjustments for:			
– Depreciation expenses	7	7,285	7,597
– Amortisation expenses	7	467	812
– Finance costs	9	78	255
– Finance income	9	(7,235)	(10,419)
– Share of profit of associates, net	16	(2,133)	(1,816)
– Net reversal of provision for impairment losses on trade receivables	3.1(b), 7	(391)	(8,749)
– Provision for/(reversal of provision for) impairment of inventories, net	7, 18	5,560	(2,727)
– Fair value gain on a financial asset at fair value through profit or loss	6	–	(240)
– Loss on disposal of property, plant and equipment	6	72	315
		(12,244)	(8,613)
Changes in working capital:			
– Inventories		(9,897)	1,970
– Trade and other receivables		(13,321)	(80,812)
– Restricted bank deposits pledged for bills payables		9,258	1,282
– Trade and other payables and contract liabilities		21,645	1,508
Cash used in operations		(4,559)	(84,665)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Note to consolidated statement of cash flows (Continued)

(b) Liabilities arising from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000
As at 1 January 2024	1,560	909
Financing cash flows:		
Repayments of borrowings	–	(921)
Repayment of principal portion of lease liabilities	(1,436)	–
Other changes:		
Addition of leases	1,073	–
Interest expenses on lease liabilities (Note 9)	93	–
Early termination of lease	(38)	–
Foreign exchange adjustments	25	12
As at 31 December 2024 and 1 January 2025	1,277	–
Financing cash flows:		
Repayment of principal portion of lease liabilities	(1,395)	–
Other changes:		
Addition of leases	3,241	–
Interest expenses on lease liabilities (Note 9)	78	–
Foreign exchange adjustments	(26)	–
As at 31 December 2025	3,175	–

(c) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2025 RMB'000	2024 RMB'000
Net book amount (Note 12)	341	399
Loss on disposal of property, plant and equipment (Note 6)	(72)	(315)
Proceeds from disposal of property, plant and equipment received	269	84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Capital commitments

Capital commitments as at 31 December 2025 and 2024 not provided for in the consolidated financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for: Property, plant and equipment	228	648

29 Related party transactions

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 55% of the Company's issued shares. The ultimate controlling party of the Group is Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy).

(a) Transaction with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transaction with a related party during the year.

	Note	2025 RMB'000	2024 RMB'000
Purchase from an associate – Shanghai Topp	(i)	12,473	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Related party transactions (Continued)

(b) Year-end balances

	Note	2025 RMB'000	2024 RMB'000
Amount due from an associate			
– Shanghai Topp	20, (ii)	5,566	–
Amount due to an associate			
– Shanghai Topp	22, (iii)	6,473	–
Amount due to a related party			
– Entity controlled by Choi Family	22, (iv)	83	252

Notes:

- (i) This transaction was conducted in the normal course of business at prices and terms mutually agreed among the parties.
- (ii) As at 31 December 2025, the amount due from an associate represented dividend receivable, and presented within "Prepayments, deposits and other receivables" (Note 20).
- (iii) As at 31 December 2025, the amount due to an associate was unsecured, interest free and repayable on demand, and presented within "Trade and other payables and contract liabilities" (Note 22).
- (iv) As at 31 December 2025 and 2024, the amount due to a related party was unsecured, interest free and repayable on demand, and presented within "Trade and other payables and contract liabilities" (Note 22).

(c) Key management compensation

The details of remuneration for key management personnel of the Group are set out in Note 31 and Note 8(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Statement of financial position and reserve movement of the Company

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Amounts due from subsidiaries		385,102	412,621
Total non-current assets		385,102	412,621
Current assets			
Prepayments and other receivables		27	4,589
Cash and cash equivalents		424	276
Total current assets		451	4,865
Total assets		385,553	417,486
Equity			
Share capital		4,961	5,059
Reserves	(a)	379,486	403,218
Total equity		384,447	408,277
Current liabilities			
Accruals		174	–
Amount due to a subsidiary		932	9,209
Total liabilities		1,106	9,209
Total equity and liabilities		385,553	417,486

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2026 and signed on its behalf.

Choi Hon Ting, Derek
Director

Choi Kwan Li, Glendy
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Statement of financial position and reserve movement of the Company (Continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	427,134	7,888	64,864	(56,511)	443,375
Total comprehensive income/(loss) for the year	–	–	14,486	(9,912)	4,574
Shares repurchased	–	(4,833)	–	–	(4,833)
Dividend paid	(39,898)	–	–	–	(39,898)
Balance at 31 December 2024	387,236	3,055	79,350	(66,423)	403,218
Balance at 1 January 2025	387,236	3,055	79,350	(66,423)	403,218
Total comprehensive loss for the year	–	–	(17,712)	(3,156)	(20,868)
Shares repurchased	–	(2,962)	–	–	(2,962)
Cancellation of shares repurchased	–	98	–	–	98
Balance at 31 December 2025	387,236	191	61,638	(69,579)	379,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

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

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2025				
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Ms. Choi Kwan Li, Glendy (<i>Chairman and Chief Executive Officer</i>)	177	1,835	25	2,037
Mr. Choi Hon Ting, Derek	177	864	25	1,066
Mr. Liu Tom Jing-zhi	177	1,065	25	1,267
Mr. Lao Kam Chi	177	1,308	25	1,510
Mr. Choi Hung Nang (<i>Resigned on 23 June 2025</i>)	188	1,378	-	1,566
Non-executive directors				
Mr. Chan Lewis	177	-	-	177
Mr. Alain Vincent Fontaine	177	-	-	177
Independent non-executive directors				
Ms. Hu Bingbing (<i>Appointed on 1 September 2025</i>)	59	-	-	59
Mr. Lee Wai Yat, Paco	177	-	-	177
Mr. O'Yang Wiley	177	-	-	177
Mr. Fok Wai Shun, Wilson (<i>Resigned on 1 September 2025</i>)	118	-	-	118
Mr. Li Zongjin (<i>Resigned on 23 June 2025</i>)	88	-	-	88
	1,869	6,450	100	8,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2024			
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Choi Hung Nang (<i>Chairman</i>)	177	1,473	–	1,650
Mr. Choi Hon Ting, Derek	177	838	25	1,040
Ms. Choi Kwan Li, Glendy (<i>Chief Executive Officer</i>)	177	1,473	25	1,675
Mr. Liu Tom Jing-zhi	177	990	25	1,192
Mr. Lao Kam Chi	177	1,289	25	1,491
Non-executive directors				
Mr. Chan Lewis	177	–	–	177
Mr. Alain Vincent Fontaine	177	–	–	177
Independent non-executive directors				
Mr. Li Zongjin	177	–	–	177
Mr. Lee Wai Yat, Paco	177	–	–	177
Mr. Fok Wai Shun, Wilson	177	–	–	177
Mr. O'Yang Wiley	177	–	–	177
	1,947	6,063	100	8,110

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join (2024: Nil).

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

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings for the year ended 31 December 2025 (2024: Nil).

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

There are no significant transactions, arrangements and contracts 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 (2024: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies

32.1 Principles of consolidation and equity accounting

32.1.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

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

32.1.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

32.1.3 Equity method

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

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

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 32.8.

32.1.4 Changes in ownership interests

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

32 Summary of other potentially material accounting policies (Continued)

32.2 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.

32.3 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 of the Company that make strategic decisions.

32.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other income and other gains/(losses), net".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies (Continued)

32.4 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:

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

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

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

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

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

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

32 Summary of other potentially material accounting policies (Continued)

32.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land use right is classified as a sub-class of right-of-use assets and presented within property, plant and equipment.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 32.8). Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other income and other gains, net" in the consolidated statement of profit or loss.

32.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 32.5.

32.7 Intangible assets

Separately acquired intangible assets are recognised at historical cost at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses.

32.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies (Continued)

32.9 Financial assets

32.9.1 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 either be recorded in profit or loss or 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 account for the equity investment at fair value through other comprehensive income (FVOCI).

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

32.9.2 Recognition and derecognition

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

32.9.3 Measurement of financial assets

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, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

32 Summary of other potentially material accounting policies (Continued)

32.9 Financial assets (Continued)

32.9.4 Impairment of financial assets

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

32.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

32.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 32.9.4 and Note 3.1(b) for a description of the Group's impairment policies.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

32.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

32.13 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.

32.14 Trade and other payables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies (Continued)

32.15 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances 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.

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

32 Summary of other potentially material accounting policies (Continued)

32.16 Employee benefits

(a) *Defined contribution schemes*

The Group companies participate in various defined contribution schemes. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) *Performance bonus*

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the consolidated statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

32.17 Provisions

Provisions for legal claims 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 has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is 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 the passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies (Continued)

32.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

32.19 (Loss)/earnings per share

(i) (Loss)/earnings per share

(Loss)/earnings per share is calculated by dividing:

- the (loss)/earnings attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

32.20 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income 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. Any other interest income is included in other income.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

32 Summary of other potentially material accounting policies (Continued)

32.21 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 profit or loss 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 income and they are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

32.22 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.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 properties 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, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

To determine the incremental borrowing rate, the Group:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Summary of other potentially material accounting policies (Continued)

32.22 Leases (Continued)

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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of 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,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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

Payments associated with short-term leases of offices and staff quarters are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

32.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.