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## **China PengFei Group Limited**

**中国鹏飞集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3348)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **HIGHLIGHTS OF THE ANNUAL RESULTS**

- Revenue for the year ended 31 December 2025 was approximately RMB1,433.0 million, an increase of 13.8% as compared to last year.
- Gross profit for the year ended 31 December 2025 was approximately RMB301.4 million, an increase of approximately 20.6% as compared to last year.
- Profit before tax for the year ended 31 December 2025 was approximately RMB126.4 million, an increase of approximately 47.1% as compared to last year.
- Profit and total comprehensive income for the year ended 31 December 2025 attributable to owners of the Company was approximately RMB101.9 million, an increase of approximately 44.1% as compared to last year.
- Earnings per share attributable to ordinary equity holders of the Company was RMB20.2 cents per share for the year ended 31 December 2025.
- The Board recommended to declare a final dividend of RMB0.06056 per ordinary share, totalling approximately RMB30.3 million for the year ended 31 December 2025.

#### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025**

The board of director (the “**Board**”) of China PengFei Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025 with comparative figures for the year ended 31 December 2024. The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS(s)**”). In addition, the annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement (hereinafter referred to as “**this announcement**” or the “**Preliminary Announcement**”), “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	3	1,432,991	1,258,876
Cost of sales and services		(1,131,638)	(1,008,932)
Gross profit		301,353	249,944
Other income		42,889	30,371
Other gains and losses		(7,589)	6,738
Selling and distribution expenses		(101,445)	(89,385)
Administrative expenses		(65,935)	(61,669)
Research expenditure	4	(50,035)	(51,399)
Impairment losses under expected credit loss model, net of reversal	4	7,220	1,862
Finance costs		(25)	(501)
Profit before tax	4	126,433	85,961
Income tax expense	5	(24,535)	(15,226)
Profit and total comprehensive income for the year		<u>101,898</u>	<u>70,735</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		100,935	67,279
– Non-controlling interests		963	3,456
		<u>101,898</u>	<u>70,735</u>
Earnings per share	7		
– Basic (RMB cents)		<u>20.19</u>	<u>13.46</u>
– Diluted (RMB cents)		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2025

		As at 31 December	
	Notes	2025	2024
		RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Trade receivables	8	–	93,645
Term deposits		150,000	60,000
Property, plant and equipment		339,232	363,228
Investment properties		6,433	7,479
Intangible assets		1,438	231
Right-of-use assets		43,365	44,258
Contract costs		19,170	–
Deferred tax assets		22,626	25,805
Deposits paid for acquisition of property, plant and equipment		–	4,190
		<u>582,264</u>	<u>598,836</u>
<b>CURRENT ASSETS</b>			
Inventories	8	534,460	728,620
Trade, bills and other receivables		339,698	383,809
Contract assets		64,081	41,727
Contract costs		33,755	17,115
Value-added tax recoverable		3,972	8,248
Prepayments to suppliers		42,662	86,460
Financial assets at fair value through profit or loss (“FVTPL”)		25,587	109,318
Term deposits		126,000	98,000
Restricted bank deposits		58,396	121,782
Bank balances and cash		636,154	506,443
		<u>1,864,765</u>	<u>2,101,522</u>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	9	535,691	628,042
Contract liabilities		806,009	1,051,915
Tax payable		26,176	28,383
Bank borrowings		700	200
Deferred income		4,643	2,659
		<u>1,373,219</u>	<u>1,711,199</u>
<b>NET CURRENT ASSETS</b>		<u>491,546</u>	<u>390,323</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>1,073,810</u></u>	<u><u>989,159</u></u>

	<b>As at 31 December</b>	
<i>Notes</i>	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>NON-CURRENT LIABILITIES</b>		
Other payables	<b>19,170</b>	–
Deferred income	<b>30,520</b>	46,445
Deferred tax liabilities	<b>7,579</b>	6,499
	<u><b>57,269</b></u>	<u>52,944</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>4,504</b>	4,504
Share premium	<b>10,582</b>	30,767
Reserves	<b>999,820</b>	898,885
	<u><b>1,014,906</b></u>	<u>934,156</u>
Equity attributable to owners of the Company	<b>1,014,906</b>	934,156
Non-controlling interests	<b>1,635</b>	2,059
	<u><b>1,016,541</b></u>	<u>936,215</u>
<b>TOTAL EQUITY</b>	<u><b>1,016,541</b></u>	<u>936,215</u>
	<u><b>1,073,810</b></u>	<u>989,159</u>

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 31 July 2017. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 November 2019. The addresses of the Company's registered office and the principal place of business are Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands and Benjiagi, Northern Suburb, Haian City, Jiangsu Province, the PRC, respectively. The principal activities of Group are production and sale of complete sets of equipment (including rotary kilns system, grinding equipment system and their related parts and components) and construction of production line and provision of installation services.

The immediate and ultimate holding company of the Company is Ambon Holding Limited ("**Ambon**"), an investment holding company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 27 July 2017. Ambon was wholly-owned by Mr. Wang Jiaan, the chairman and executive director of the Company ("**Mr. Wang**", or the "**Controlling Shareholder**").

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

### Amendments to an IFRS Accounting Standards that are mandatorily effective for the current year

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

Amendments to IAS 21

Lack of Exchangeability

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

## New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS Accounting Standards	Accounting Standards Annual Improvements to IFRS Accounting Standards – Volume 11 <sup>2</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>
IFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>3</sup>
Amendments to IFRS 19	Amendments to Subsidiaries without Public Accountability: Disclosures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

Except for IFRS 18 Presentation and Disclosure in Financial Statements, the directors of the Company (the “Directors”) anticipate that the application of all the amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group’s consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of goods, construction of production line and rendering of installation services, net of sales related taxes during the year.

	Year ended 31 December	
	2025	2024
	RMB’000	RMB’000
Sale of equipment, recognised at a point in time	1,220,516	1,000,956
Revenue from construction of production line, recognised over time	183,584	232,372
Installation service, recognised over time	28,891	25,548
	<u>1,432,991</u>	<u>1,258,876</u>

#### Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. certain sale of equipment contracts include the provision of installation services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. Since the Group did not record any gross profit for the installation services according to the Group’s pricing policy, the management of the Group would first estimate the stand-alone price of installation service based on the fee charged by the subcontractors, while then allocate the remaining as the transaction price for the performance obligation of sales of equipment.

## **Sale of equipment**

The Group sells equipment directly to customers. The Group mainly sells equipment including related parts and components for various industries including building materials production, metallurgy, chemical and environmental protection. The key equipment manufactured by the Group consists of rotary kiln system and grinding equipment system.

Revenue is recognised at a point in time when the goods are accepted by the customers after delivery to the customers' premises, since only by that time the Group passes control of the equipment to the customers. The Group does not grant any credit period to its customers.

Customers are generally required to make an advance payment of 10% to 30% of the total contract sum before the Group commences any work, and this will give rise to contract liabilities at the start of a contract. During the course of production of the equipment, customers will generally be required to make progress payment. Once the production process is completed, customers will be required to make delivery payment before delivery of the products. Generally, customers will be required to pay 90% to 95% of the total contract sum before delivery. Contract liabilities are recognised when milestone payments are received for sale of equipment in which revenue has yet been recognised.

The Group normally provides a warranty period of around 12 months from the date of acceptance by customers. For those contracts with warranty period provided, the outstanding balances representing the retention money of approximately 5% to 10% of the total contract sum initially recognised as contract assets upon delivery of goods and will be transferred to trade receivables and paid to the Group in the absence of warranty claim after the warranty period.

## **Construction of production line**

The Group provides construction of production line services to customers of building materials industry, such as cement production line projects, and other industries including metallurgy and environmental protection. Most customers of the construction of production line business are located outside the PRC during the year.

Revenue from construction of production line is recognised as a performance obligation satisfied over time. The Group's performance under the construction contracts creates production lines without an alternative use to the Group. As the Group has an enforceable right to payment for performance performed to date, the Group recognises revenue over time for construction of production line services. Revenue is recognised for these construction of production line services based on the stage of completion of the contract using the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total estimated costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Customers are generally required to make an advance payment of 30% of the total contract sum before the Group commences any work, this will give rise to contract liabilities at the start of a contract until the revenue recognised exceeds the amount of advance payment received. During the course of construction of production line, customers will generally be required to make progress payment and the Group will deliver the products required for the construction of production line to the designated port or the customer's site by batches pursuant to the terms of the contract. In general, customers will be required to pay no less than 50% of the total contract sum before the Group delivers all the products required. If customers are satisfied with the production line installed, they will issue an acceptance certificate to the Group. The Group will receive no less than 90% of the total contract sum in aggregation upon the acceptance certificate being issued. The Group normally provides a retention period of 12 months after the operation of the production line or the issuance of the final acceptance certificate by the customers. For those contracts with retention period provided, the outstanding balances representing the retention money of approximately 5% to 10% of the total contract sum initially recognised as contract assets and will be transferred to trade receivables and paid to the Group in the absence of warranty claim after the retention period.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction of production line services are performed representing the Group's rights to consideration for the services performed because the rights to billing are conditional upon specified payment milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the Group achieved the specific milestones of payments as stated in the corresponding contracts.

## Installation service

Having considered the costs and benefits in performing the installation service, the Group had subcontracted the installation service to independent third parties. The Group is the contracting party to its customers in rendering the installation service and the Group is primarily responsible for fulfilling the promise to provide the installation service and has the discretion on establishing the contract price. Thus, the management of the Group considers the Group acts as principal and recognises revenue generated from the installation service on a gross basis.

Revenue relating to the installation service is recognised over time throughout the installation period based on the stage of completion of the installation using the input method because the Group's performance enhances an asset that its customers control as the asset is enhanced. The provision of installation service is normally included in the contracts for sale of equipment as aforementioned and is subject to the same retention terms under the contracts for sale of equipment.

## Contract costs

### *Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group's incremental costs of obtaining a contract are mainly the commission fee paid to the Group's employees and independent third-party service providers.

The Group recognises such commission fee as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

### **Transaction price allocated to the remaining performance obligations for contracts with customers**

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of installation service as the Group's contract has an original expected duration of less than one year.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in respect of construction of production line as at the end of each reporting period and the expected timing of recognising revenue.

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Provision of construction of production line</b>		
Within 1 year	562,403	212,363
1-2 years	292,721	–
2-3 years	142,015	–
	<u>997,139</u>	<u>212,363</u>

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in respect of the Group's sale of equipment was RMB2,857,306,000 (2024: RMB3,131,440,000) as at 31 December 2025. In normal circumstances, the performance obligation is expected to be satisfied within one year. However, the timing of recognition is subject to the request of delivery from the customers and may be uncertain due to political uncertainty of the countries at where the Group's customers are situated, which may cause such revenue to be recognised more than one year after the end of the reporting period.

Information reported to the Chairman of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sale of equipment, construction of production line and installation services. No other discrete financial information is provided other than the Group's results and financial position as a whole. Thus, the management of the Group considers that the Group has one operating and reportable segment. No operating segment information is presented other than the entity-wide disclosures.

## Entity-wide disclosures

### *Geographical information*

The Group's non-current assets are all situated in the PRC. The geographical information of the Group's revenue, determined based on geographical location of the registered office of the immediate customers, during the year is as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Mainland China	1,017,999	936,516
Outside Mainland China		
Including: Ghana	84,725	–
Türkiye	65,559	2,262
Kenya	61,860	103,910
Kuwait	38,374	1,887
Indonesia	37,056	–
Sri Lanka	33,555	–
Uzbekistan	32,003	113,148
Burundi	12,544	–
Tajikistan	9,088	16,723
Malawi	7,966	31,965
Morocco	–	27,170
Others	32,262	25,295
	<b>1,432,991</b>	<b>1,258,876</b>

### *Information about major customers*

No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2024 and 2025.

#### 4. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	35,706	35,173
Depreciation of investment properties	1,046	1,059
Amortisation of intangible assets	183	83
Depreciation of right-of-use assets	893	907
	<hr/>	<hr/>
	37,828	37,222
Capitalised in inventories	(30,608)	(29,681)
	<hr/>	<hr/>
Total depreciation and amortisation charged to profit or loss	<b>7,220</b>	<b>7,541</b>
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Charged in administrative expenses	5,223	5,723
Charged in selling and distribution expenses	688	682
Charged in research expenditure	1,309	1,136
	<hr/>	<hr/>
	7,220	7,541
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration	1,380	1,380
Cost of inventories recognised as cost of sales	1,058,121	928,383
Directors' remuneration	2,212	1,905
Other staff costs		
– Salaries and other benefits	108,484	104,919
– Retirement benefit scheme contributions	15,186	15,438
– Discretionary performance related bonus	3,634	2,790
	<hr/>	<hr/>
	127,304	123,147
	<hr/> <hr/>	<hr/> <hr/>

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total staff costs	<b>129,516</b>	125,052
Capitalised in inventories	<b>(71,391)</b>	(74,724)
	<hr/>	<hr/>
Total staff costs charged to profit or loss	<b>58,125</b>	50,328
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Charged in administrative expenses	<b>27,301</b>	22,537
Charged in selling and distribution expenses	<b>10,858</b>	8,139
Charged in research expenditure	<b>19,966</b>	19,652
	<hr/>	<hr/>
	<b>58,125</b>	50,328
	<hr/> <hr/>	<hr/> <hr/>
Research expenditure		
Staff costs	<b>19,966</b>	19,652
Depreciation and amortisation	<b>1,309</b>	1,136
Technical consultancy fee	<b>3,381</b>	8,569
Materials consumed	<b>25,362</b>	21,678
Others	<b>17</b>	364
	<hr/>	<hr/>
	<b>50,035</b>	51,399
	<hr/> <hr/>	<hr/> <hr/>
Gross rental income from investment properties	<b>2,323</b>	1,958
Less:		
Direct operating expenses incurred for investment properties that generate rental income during the year	<b>(1,046)</b>	(1,059)
	<hr/>	<hr/>
	<b>1,277</b>	899
	<hr/> <hr/>	<hr/> <hr/>
Impairment losses under ECL model, net of reversal		
Trade receivables	<b>(5,802)</b>	4,206
Other receivables	<b>(147)</b>	115
Contract assets	<b>(1,271)</b>	(6,183)
	<hr/>	<hr/>
	<b>(7,220)</b>	(1,862)
	<hr/> <hr/>	<hr/> <hr/>

## 5. INCOME TAX EXPENSE

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”)	18,258	13,535
Withholding tax of a PRC subsidiary	3,098	2,081
Deferred tax charge (credit)	3,179	(390)
	<u>24,535</u>	<u>15,226</u>

The Company is not subject to income tax or capital gain tax under the law of Cayman Islands.

Pengfei BVI is not subject to income tax or capital gain tax under the law of BVI.

No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2024 and 2025.

Jiangsu Pengfei obtained the renewal of “High Technology Enterprise” certification in 2027, and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2024 to 2027.

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the years ended 31 December 2024 and 2025.

Income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Profit before tax	<u>126,433</u>	<u>85,961</u>
Tax at PRC EIT rate of 15% (2024: 15%) (note)	18,965	12,894
Tax effect of expense not deductible for tax purpose	4,414	1,352
Tax effect of deductible temporary differences not recognised	–	–
Utilisation of deductible temporary differences previously not recognised	(103)	(742)
Withholding tax of a PRC subsidiary	3,098	2,081
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(2,219)	(1,482)
Effect of different tax rates of other subsidiaries	<u>380</u>	<u>1,123</u>
Income tax expense	<u>24,535</u>	<u>15,226</u>

*Note:* As majority of the profit before tax of the Group was contributed by Jiangsu Pengfei for both years, the PRC EIT rate of Jiangsu Pengfei is used in the income tax reconciliation.

## 6. DIVIDEND

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend for ordinary shareholders of the Company	<u>20,185</u>	<u>42,850</u>

During the current year, a final dividend in respect of the year ended 31 December 2024 of RMB0.04037 per ordinary share (2024: RMB0.0857), in an aggregate amount of approximately RMB20.19 million (2024: RMB42.85 million, has been declared and paid to shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2025 of HKD0.06873 (equivalent to RMB0.06056) per ordinary share, in an aggregate amount of HKD34.4 million (equivalent to RMB30.3 million) and the aggregate amount of which will be paid out of the Company's share premium account, has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company and compliance with the Companies Act of the Cayman Islands.

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2025	2024
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	<u>100,935</u>	<u>67,279</u>
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>500,000,000</u>	<u>500,000,000</u>

No diluted earnings per share was presented as there were no potential ordinary shares in issue during the years ended 31 December 2025 and 2024.

## 8. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	297,224	329,860
Less: Impairment loss allowance for trade receivables	<u>(70,088)</u>	<u>(85,244)</u>
	227,136	244,616
Bills receivables	<u>100,401</u>	<u>218,415</u>
Total trade receivables and bills receivables	327,537	463,031
Other receivables and prepayments		
Other receivables ( <i>note ii</i> )	5,560	12,990
Interest receivable	6,484	1,446
Prepaid expenses	110	127
Loan to an independent third party ( <i>note iii</i> )	<u>800</u>	<u>800</u>
	12,954	15,363
Less: Impairment loss allowance for other receivables	<u>(793)</u>	<u>(940)</u>
	12,161	14,423
	<u>339,698</u>	<u>477,454</u>
Analysed as:		
Current	339,698	383,809
Non-current ( <i>note i</i> )	<u>–</u>	<u>93,645</u>
	<u>339,698</u>	<u>477,454</u>

As at 1 January 2024, the Group's trade receivables amounted to RMB282,273,000 (net of impairment loss allowance of RMB85,114,000) and bills receivables amounted to RMB175,738,000.

*Note i:* As at 31 December 2025, included in the Group's trade receivables was a balance of RMB9,536,000 (net of impairment loss allowance of RMB963,000) (2024: RMB93,645,000 (net of impairment loss allowance of RMB9,479,000)) due from a customer in respect of the construction of a production line located in the Republic of Kazakhstan. During the year ended 31 December 2025, RMB92,625,000 has been collected by the Group and the remaining balance was expected to be collected within one year and are therefore classified as current assets.

*Note ii:* As at 31 December 2025, other receivables mainly included staff advance of RMB2,085,000 (2024: RMB2,044,000) and refundable tender deposits paid to potential customers of RMB2,233,000 (2024: RMB4,810,000). Staff advance was made to staff solely for business development purpose, which will be charged to profit or loss upon completion of the business development activities. The staff is required to pay back the excess, if any, to the Group immediately after such activities. Refundable tender deposits will be refunded upon completion of the tendering procedure.

*Note iii:* As at 31 December 2025, the Group's loan to an independent third party was unsecured, repayable on demand and carry at fixed interests of 4.40% (2024: 4.40%) per annum, such loan is repayable on demand.

The Group does not grant any credit period to its customers except for the customer set out in abovementioned note (i). The trade receivable balances at the end of each reporting period included the outstanding retention monies from its customers amounting to RMB100,855,000 (2024: RMB102,275,000) as at 31 December 2025, of which the conditions to entitlement of consideration had been reached and became unconditional.

The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on the date when the Group obtains the unconditional rights for payment at the end of each reporting year.

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 1 year	<b>147,391</b>	115,572
1 to 2 years	<b>61,843</b>	26,387
Over 2 years	<b>17,902</b>	102,657
	<b><u>227,136</u></b>	<u>244,616</u>

As at 31 December 2025, the Group's trade receivables of RMB227,136,000 (2024: RMB244,616,000) which are past due is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high. The management of the Group considered that the trade receivables became defaulted when these trade receivables had been past due over 2 years with no settlement within 1 year.

The following is an aged analysis of bills receivables presented based on the issue dates of bills receivables.

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	<b>99,385</b>	215,193
181 days to 1 year	<b>1,016</b>	3,222
	<b><u>100,401</u></b>	<u>218,415</u>

The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	<b><u>100,401</u></b>	<u>218,415</u>

As at 31 December 2024 and 2025, no receivables of the Group were pledged to banks for issuing bills payables.

## Movements of impairment loss allowance on trade and other receivables

Movement of impairment loss allowance at lifetime ECL on trade receivables for the year:

	<b>Lifetime ECL</b> <b>RMB'000</b>
At 1 January 2024	85,114
Impairment loss allowance recognised	30,748
Impairment loss allowance reversed	(26,542)
Write-off as uncollectible	(4,076)
	<hr/>
At 31 December 2024	85,244
Impairment loss allowance recognised	16,432
Impairment loss allowance reversed	(22,234)
Write-off as uncollectible	(9,354)
	<hr/>
At 31 December 2025	<b>70,088</b>
	<hr/> <hr/>

Movement of impairment loss allowance on other receivables for the year:

	<b>12m ECL</b> <b>RMB'000</b>
At 1 January 2024	825
Impairment loss allowance recognised	445
Impairment loss allowance reversed	(330)
	<hr/>
At 31 December 2024	940
Impairment loss allowance recognised	227
Impairment loss allowance reversed	(374)
	<hr/>
At 31 December 2025	<b>793</b>
	<hr/> <hr/>

Included in the balance of impairment loss allowance are individually impaired trade receivables in full with an aggregate balance of RMB54,455,000 (2024: RMB57,191,000) as at 31 December 2025, with reference to the historical experience of these receivables, these receivables may not be recoverable. The Group does not hold any collateral over these balances.

The Group's trade and other receivables that are denominated in currency other than the functional currency of the Group are set out below:

	<b>As at 31 December</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
Analysis of trade and other receivables by currency:		
Denominated in United States dollar ("USD")	37,892	10,190
Denominated in European dollar ("EUR")	–	4,861
	<hr/> <hr/>	<hr/> <hr/>

## 9. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables	350,101	407,298
Bills payables	89,298	142,965
Other taxes payables	9,281	9,123
Amount due to an independent third party ( <i>note i</i> )	994	1,019
Accrued expense	1,691	3,306
Accrued payroll and welfare	19,506	20,987
Commission fees payables ( <i>note ii</i> )	75,806	39,888
Lease liabilities ( <i>note iii</i> )	255	264
Other payables	7,929	3,192
	<u>554,861</u>	<u>628,042</u>
Analysed as:		
Current	535,691	628,042
Non-current ( <i>note ii</i> )	19,170	–
	<u>554,861</u>	<u>628,042</u>

The credit period on purchases of goods ranges from 0 to 365 days during the years ended 31 December 2024 and 2025 and certain suppliers allow longer credit period on a case-by-case basis.

### Notes:

- (i) As at 31 December 2025, the amount represented a loan of HKD1,100,000 (equivalent to RMB994,000,000) (2024: HKD1,100,000 (equivalent to RMB1,019,000)) raised from an independent third party, which was unsecured, unguaranteed and carried interests at a fixed rate of 3.00% per annum (2024: 3.00%). Such loan was repayable on demand.
- (ii) As at 31 December 2025, included in the Group's commission fees payable was balance of RMB38,339,000 due from several independent third-party service providers in respect of obtaining two production line projects in the republic of Uzbekistan and the republic of Côte d'Ivoire, respectively, among which RMB19,170,000 is expected to be settled after one year. The schedule of commission payments is determined based on the expected payment collection from the production line customers.
- (iii) The Group's lease liabilities at the end of each reporting year was arising from the lease of a piece of land for administrative purpose which was located in Haiian City, Jiangsu Province, the PRC. The lease term will be expired in October 2044, with a fixed annual lease payment of RMB19,000. These lease liabilities were unsecured and unguaranteed.

Lease liabilities were measured at the present value of the lease payments that are not yet paid using its incremental borrowing rate of 3.60% per annum. The Group does not face a significant liquidity risk with regard to its lease liabilities, of which is monitored within the Group's treasury function.

The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of each reporting year:

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
0 to 1 year	<b>274,414</b>	228,187
1 year to 2 years	<b>23,579</b>	137,662
Over 2 years	<b>52,108</b>	41,449
	<b><u>350,101</u></b>	<b><u>407,298</u></b>

The following is an aged analysis of bills payables presented based on issue dates at the end of each reporting year:

<b>Age</b>	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
0 to 180 days	<b><u>89,298</u></b>	<b><u>142,965</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As a leading manufacturer of rotary kilns, grinding equipment and their related equipment in the PRC and the global market, business activities of the Group are divided into three business lines, namely (i) sale of equipment, in which we engage in the design, manufacturing and sales of equipment including related parts and components for various industries including building materials, metallurgy, chemical and environmental protection industries; (ii) installation service, in which we mainly provide installation services to our customers under our manufacturing of equipment business as this is part and parcel of our manufacturing of equipment business; and (iii) construction of production line, in which we act as an EPC service provider providing bespoke one-stop solutions in respect of design, procurement, construction and/or trial operations of production lines.

#### Expansion of customer base

Despite a slowdown in growth and demand in the building materials industry, the Group was able to secure new projects for energy-saving technology transformation for its customers in response to the local government's vigorous promotion of upgrading and transformation of the construction and building materials industry. During the year ended 31 December 2025, revenue generated from customers in the building materials industries amounted to approximately RMB548.7 million (2024: RMB524.9 million).

Apart from serving our customers in the building materials industry, the Group has also expanded its products and services to serve our customers in other industries, mainly metallurgy, chemical and environmental protection industries as a result of our research and development efforts. Revenue generated from our customers in non-building materials industries accounted for approximately 71.1% and 70.6%, respectively, of our total revenue in the sale of equipment for the year 2024 and 2025. In order to tap into the metallurgy, chemical and environmental protection industries with a primary focus on the treatment of various municipal solid waste, during the year of 2025, over 88.8% of our rotary kilns were used in emerging industries such as laterite nickel ore, new energy lithium batteries, environmental protection sludge, solid and hazardous waste disposal.

The Group also continued its effort to expand its business into potential markets along the "Belt and Road" countries including Uzbekistan, Kuwait, Türkiye and Sri Lanka. Revenue generated from our customers in the "Belt and Road" countries accounted for approximately 11.6% and 22.5%, respectively, of our total revenue for the years 2024 and 2025. During the year of 2025, the Group had two on-going production line projects and one of them were located in the "Belt and Road" countries.

## Research and Development

To maintain the Group's market position in the rotary kiln and grinding equipment industries and expand the Group's product portfolio and improve the functionality and efficiency of its products, the Group has invested in its research and development capabilities by focusing on energy saving and environmentally-friendly technologies and continued to cooperate with universities and colleges and research institutions in the PRC. The Group is conducting research and development with Nantong Institute of Technology on the Research and Development of Complete Sets of Equipment for Efficient Preparation of Battery-grade Lithium Carbonate from Low-grade Spodumene (《低品位鋰輝石高效製備電池級碳酸鋰成套裝備研發》). During the year, the Group also participated in the formulation of three industry standards, including Technical Requirements of Grinding System Characterized by the External Circulation Vertical Roller Mill in Cement Industry (《水泥外循環立式輥磨機粉磨系統技術要求》), and the promulgation and implementation of one group standard, Technical Specification of Blockchain-based on Fly-ash Treatment System of Municipal Solid Waste Incineration Power Plant (《基於區塊鏈的生活垃圾焚燒飛灰管理技術規範》). As at 31 December 2025, the Group had 197 authorised patents, comprising 123 invention patents. There are also 57 patent applications pending approval which primarily relate to manufacture of products in rotary kiln and grinding equipment system.

## Outlook

The building materials industry has comprehensively entered a new phase of high-quality development characterized by strict capacity control, quality improvement and efficiency enhancement, green transformation, and overseas expansion. Looking ahead, given the growing demand for rotary kilns, grinding equipment, and related machinery in overseas markets, the Group will continue to leverage the Belt and Road Initiative and actively explore opportunities related to production line construction in Belt and Road countries and emerging markets with strong demand for building materials and associated production equipments.

The year 2026 marks the commencement of the 15th Five-Year Plan and the glorious 70th anniversary of the Group. We will steadfastly pursue progress while maintaining stability, resolutely advancing along the path of strengthening our enterprise through the four pillars of technological advancement, internationalization, green development, and intelligent transformation. While solidifying our foundation in the building materials sector, we will initiate a full-scale launch into the metallurgical and new energy industries and accelerate our expansion into the global cement EPC market. Progressing with innovation, we will expand into new industries and markets while actively developing the new energy equipment sector, focusing on a dual-engine approach of technological and model innovation. Progressing with sustainability, we will implement the national dual-carbon strategy, optimize energy structures, and promote green manufacturing. Progressing with intelligence, we are fully committed to advancing digital and intelligent transformation. We will make new breakthroughs in applying digital and intelligent solutions across smart workshops, smart factories, and other scenarios, accelerating the formation of new productive forces. We will strengthen and optimize our high-end equipment manufacturing and engineering contracting businesses. Embracing the spirit of loong and horse, we will jointly pursue a splendid future and work hand in hand to create an even brighter and more glorious tomorrow for the Group!

## FINANCIAL REVIEW

### Revenue

	Year ended 31 December				Year-over-Year Change %
	2025		2024		
	RMB'000	%	RMB'000	%	
Sale of equipment	1,220,516	85.2	1,000,956	79.5	21.9
Installation service	28,891	2.0	25,548	2.0	13.1
Construction of production line	183,584	12.8	232,372	18.5	-21.0
<b>Total</b>	<b>1,432,991</b>	<b>100.0</b>	<b>1,258,876</b>	<b>100.0</b>	<b>13.8</b>

Our revenue increased by approximately RMB174.1 million or 13.8% to approximately RMB1,433.0 million for the year ended 31 December 2025 from approximately RMB1,258.9 million for the year ended 31 December 2024 as a result of the growth of our revenue generated from sale of equipment business offset by decrease in revenue from our construction of production line business.

*Sale of equipment.* Revenue derived from sale of equipment business increased by approximately RMB219.6 million or 21.9% to approximately RMB1,220.5 million for the year ended 31 December 2025 from RMB1,001.0 million for the year ended 31 December 2024. The increase in revenue derived from sale of equipment business was primarily due to the increased demand from our domestic customers in the non-building materials industry with revenue increasing from RMB692.5 million for the year ended 31 December 2024 to RMB823.2 million for the year ended 31 December 2025 and the increase in revenue derived from the overseas customers in the building materials industry with revenue increasing from RMB86.0 million for the year ended 31 December 2024 to RMB194.1 million for the year ended 31 December 2025.

*Installation service.* Revenue derived from our installation service business increased by approximately RMB3.3 million or 13.1% to approximately RMB28.9 million for the year ended 31 December 2025 from approximately RMB25.5 million for the year ended 31 December 2024. This increase was mainly due to the increased demand of installation service from customers under our sale of equipment business for the year ended 31 December 2025.

*Construction of production line.* Revenue from our construction of production line business decreased by RMB48.8 million or 21.0% to approximately RMB183.6 million for the year ended 31 December 2025 from approximately RMB232.4 million for the year ended 31 December 2024. This decrease was mainly attributable to the decrease of revenue from our construction of production line projects located in Uzbekistan and Kenya.

### Cost of sales and services

Our cost of sales and services increased by approximately RMB122.7 million or 12.2% to approximately RMB1,131.6 million for the year ended 31 December 2025 from approximately RMB1,008.9 million for the year ended 31 December 2024 mainly due to increase of sales during the same period. Cost of raw materials, being the largest component of our cost of sales and services sub-contracting cost increased by approximately RMB121.5 million in cost of sales and services.

## **Gross profit and gross profit margin**

As a result of the foregoing, the Group's gross profit increased by approximately RMB51.4 million or 20.6% to approximately RMB301.4 million for the year ended 31 December 2025 from approximately RMB249.9 million for the year ended 31 December 2024. The Group's gross profit margin increased to 21.0% for the year ended 31 December 2025 from 19.9% for the year ended 31 December 2024.

## **Other income**

Our other income increased by approximately RMB12.5 million or 41.2% to approximately RMB42.9 million for the year ended 31 December 2025 from approximately RMB30.4 million for the year ended 31 December 2024 mainly attributable to the increased interest income received and government grants recognised in the year ended 31 December 2025 as compared to 2024.

## **Other gains and losses**

We record other losses of approximately RMB7.6 million for the year ended 31 December 2025, representing a decrease of 212.6% as compared with approximately other gains of RMB6.7 million for the year ended 31 December 2024. This was mainly due to the decrease in net foreign exchange gain from approximately RMB4.7 million for the year ended 31 December 2024 to a net foreign exchange loss of approximately RMB5.2 million for the year ended 31 December 2025.

## **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately RMB12.1 million or 13.5% to approximately RMB101.4 million for the year ended 31 December 2025 from approximately RMB89.4 million for the year ended 31 December 2024 mainly due to an increase in transportation expenses incurred by the Group with the increase in sales.

## **Administrative expenses**

Our administrative expenses increased by approximately RMB4.3 million or 6.9% to approximately RMB65.9 million for the year ended 31 December 2025 from approximately RMB61.7 million for the year ended 31 December 2024. The comparatively higher administrative expenses for the year ended 31 December 2025 was mainly attributable to the increased staff salaries and welfare benefits incurred during the year ended 31 December 2025 as compared with 2024.

## **Research expenditure**

Our research expenditure decreased by approximately RMB1.4 million or 2.7% to approximately RMB50.0 million for the year ended 31 December 2025 from approximately RMB51.4 million for the year ended 31 December 2024 mainly due to slight decrease in technical consultancy fees during the year ended 31 December 2025 as compared with last year.

## **Impairment loss under expected credit loss model, net of reversal**

Impairment loss on trade and other receivables and contract assets, net of reversal increased by approximately RMB5.4 million or 287.8% to approximately RMB7.2 million for the year ended 31 December 2025 from approximately RMB1.9 million for the year ended 31 December 2024 mainly due to the collection of aged balance of accounts receivables during the year ended 31 December 2025 as compared with 2024.

## **Income tax expenses**

Our income tax expenses increased by approximately RMB9.3 million or 61.1% to approximately RMB24.5 million for the year ended 31 December 2025 from approximately RMB15.2 million for the year ended 31 December 2024. Our effective tax rate was 17.7% and 19.4% for each of the years ended 31 December 2024 and 2025, respectively. The increase of effective tax rate for the year ended 31 December 2025 was mainly due to an increase of expense not deductible for tax purpose during the year ended 31 December 2025.

## **Profit and total comprehensive income for the year**

As a result of the foregoing, our profit and total comprehensive income increased by approximately RMB31.2 million or 44.1% to approximately RMB101.9 million for the year ended 31 December 2025 from approximately RMB70.7 million for the year ended 31 December 2024.

## **WORKING CAPITAL MANAGEMENT**

The Group maintained sufficient working capital as at 31 December 2025 and continued to adopt a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities of its business.

Net current assets of the Group amounted to approximately RMB491.6 million (31 December 2024: RMB390.3 million) with a current ratio calculated by dividing our current assets over our current liabilities of 135.8% (31 December 2024: 122.8%) as at 31 December 2025.

Inventories decreased by approximately RMB194.2 million or 26.6% to approximately RMB534.5 million as at 31 December 2025 from approximately RMB728.6 million as at 31 December 2024. Inventory turnover days was 201 days for the year ended 31 December 2025, representing a decrease of 62 days as compared to 263 days for the year ended 31 December 2024. The decrease in inventory turnover days was mainly due to the Group's reduced inventory levels as a result of enhanced inventory management during the year ended 31 December 2025.

Trade, bills and other receivables decreased by approximately RMB137.8 million or 28.9% to approximately RMB339.7 million as at 31 December 2025 from approximately RMB477.5 million as at 31 December 2024, among which trade receivables decreased by approximately RMB32.7 million or 9.9% to approximately RMB297.2 million as compared with approximately RMB329.9 million as at 31 December 2024. During the year ended 31 December 2025, RMB92,625,000 has been collected by the Group and the remaining balance was expected to be collected within one year and are therefore classified as current assets. Our trade receivables turnover days was 64 days (2024: 41 days) for the year ended 31 December 2025 representing an increase of 23 days. The increase in trade receivable turnover days during the year ended 31 December 2025 was primarily due to the increase in our sales during the year.

Prepayments to suppliers decreased by approximately RMB43.8 million or 50.7% to approximately RMB42.7 million as at 31 December 2025 from approximately RMB86.5 million as at 31 December 2024 primarily due to decreased prepayments made to the suppliers in relation to our construction of production line project.

Contract liabilities decreased by approximately RMB245.9 million or 23.4% to approximately RMB806.0 million as at 31 December 2025 from approximately RMB1,051.9 million as at 31 December 2024. The decrease in contract liabilities was mainly due to the recognition of revenue from the sales of equipment to customers.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The Group funds its business operations both through cash flows generated from its business operations and through external financing, primarily including banking facilities. The Group's primary uses of cash are for the payment for: (a) raw materials; (b) sub-contracting fees; (c) staff costs; and (d) overhead.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB725.2 million (31 December 2024: approximately RMB555.4 million). A portion of the Group's bank deposits totaling approximately RMB58.4 million (31 December 2024: approximately RMB121.8 million) were restricted for the issue of bills payables and letter of credit by the Group. The Group's cash and cash equivalents and restricted bank deposits were mostly denominated in Renminbi, United States dollars, Hong Kong dollars and Euro.

As at 31 December 2025, we had banking facilities of approximately RMB1,310 million, of which approximately RMB361 million were utilised for guarantee and bank borrowing. The utilised banking facilities as at 31 December 2025 represented bank guarantee of approximately RMB293 million, bank acceptance bill amounted to RMB67 million and bank borrowing of RMB0.7 million. As at 31 December 2025, our Group had unutilised banking facilities amounted to approximately RMB949 million. As at 31 December 2025, the Group had bank borrowings of approximately RMB0.7 million (31 December 2024: approximately RMB0.2 million).

As at 31 December 2025, the Company's gearing ratio, which is calculated by dividing our total liabilities over our equity attributable to owners of the Company multiplied by 100%, was 140.9% (31 December 2024: 188.8%). The decrease in our gearing ratio was mainly due to an increase in the balance of our equity as at 31 December 2025 as compared to 31 December 2024.

During the year ended 31 December 2025, the Group recorded net cash from operating activities of approximately RMB122.4 million (2024: RMB387.0 million). Net cash from investing activities for the year ended 31 December 2025 amounted to approximately RMB72.3 million (2024: net cash used in investing activities amounted to RMB110.5 million). Net cash used in financing activities for the year ended 31 December 2025 amounted to approximately RMB21.1 million (2024: approximately RMB100.2 million).

The Board and the management of the Company had been closely monitoring the Group's liquidity position, performing ongoing credit evaluations, and monitoring the financial conditions of its customers, in order to ensure the Group's healthy cash position.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

### **Financial Risks**

The Group is exposed to market risks from changes in market rates and prices, such as exchange rates, interest rates, credit and liquidity.

#### **Currency risk**

The Group's exposure to currency risk relates primarily to the Group's sales to customers outside mainland China which is usually denominated in USD. The Group has not adopted any foreign exchange hedging policy, engage in any currency hedging or have any positions in any derivative financial instruments to hedge our currency risk as management of the Group considers that the foreign exchange risk exposure of the Group is minimal.

## **Interest rate risk**

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's term bank borrowings, lease liabilities, loans to and amount due to independent third parties and the floating-rate restricted bank balance and bank balances. The Group currently does not have formal interest rate hedging policy. The management of the Group monitors its exposures on an on-going basis and will consider hedging interest rate risk should the need arise.

## **Credit risk**

Credit risk is the risk of that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade, bills and other receivables, contract assets, term deposits, restricted bank deposits and bank balances.

Given that 4% of the total trade receivables was due from a construction of production line customer of Group as at 31 December 2025 (31 December 2024: 38%), the Group has no significant concentration of credit risk.

## **Liquidity risk**

During the year ended 31 December 2025, the Group did not experience any liquidity shortage. We managed our liquidity risks by maintaining adequate level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## **CONTINGENT LIABILITIES**

As at 31 December 2025, the Group did not have any significant contingent liabilities (31 December 2024: nil).

## **CAPITAL EXPENDITURES**

As at 31 December 2025, the Group's capital expenditures amounted to approximately RMB8.9 million (31 December 2024: approximately RMB8.4 million) which has mainly related to the acquisition of property, plant and equipment and intangible assets.

## **PLEDGE OF ASSETS**

As at 31 December 2025, the Group's restricted bank deposits of approximately RMB58.4 million (31 December 2024: in respect of restricted bank deposits and bills receivables and term deposits with an aggregate carrying amount of approximately RMB121.8 million) were pledged to banks for issuing bills payables.

## **CAPITAL COMMITMENTS**

As at 31 December 2025, the Group's capital expenditure amounted to approximately nil (31 December 2024: in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of approximately RMB3 million) which was mainly related to the purchase of and deposit paid for property, plant and equipment.

## **OFF-BALANCE SHEET TRANSACTIONS**

Save for the capital commitment and pledged assets disclosed above, the Group did not enter into any material off-balance sheet transactions or arrangements during the year ended 31 December 2025 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION INFORMATION**

As at 31 December 2025, the Group had a total of 995 employees (31 December 2024: 1,030) including staff from administrative, finance, sales, supply, technical, quality control, and production departments.

Remuneration packages of our employees usually comprise, among other things, salaries, contribution to pension schemes and allowances. We regularly review and determine the remuneration and compensation package of our employees by reference to, among other things, their performance, qualifications, respective responsibilities and market levels of salaries paid by comparable companies. For the year ended 31 December 2025, the Group incurred staff cost (including Directors' remuneration) of approximately RMB129.5 million (2024: approximately RMB125.1 million).

The Group provides to our employees on a regular basis and when deemed necessary training covering various aspects of our business operation, including work safety, sales and marketing, compliance with applicable laws and regulations, technical skills, management and production quality.

The Group did not experience any major labour disputes, work stoppages or labour strikes that led to disruptions in our Group's operations. The Directors consider that the Group has maintained a good working relationship with its staff.

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL

During the year ended 31 December 2025, the Group has invested its available cash-in-hand in wealth management products issued by banks in the PRC as part of the Group's treasury measure for better short-term cash flows management purposes. As at 31 December 2025, the financial assets at FVTPL held by the Group were approximately RMB25.6 million (31 December 2024: RMB109.3 million), representing 1.0% of total assets of the Group. Details of the financial assets at FVTPL held by the Group as at 31 December 2025 are set out as follows:

Financial assets at FVTPL	Subscription date	Interest rate (per annum)	Maturity date	Principal amount of subscription (‘000)	Changes in fair value for the year ended 31 December 2025 (‘000)	Carrying amount as of 31 December 2025 (‘000)	Percentage of total assets of the Group as of 31 December 2025
Huatai Wealth Management Product, the wealth management product of Huatai Global Investment Fund, which is known as “Class I HKD Units”, Huatai HKD Money Market Fund	6 August 2025	Dependent on other factors <sup>(Note 1)</sup>	No fixed term <sup>(Note 2)</sup>	HKD28,000.0	HKD328.8	HKD28,328.8	1.0%

### Notes:

1. The expected return of the Huatai Wealth Management Product is to be determined on the basis of the difference between the net asset value per unit of the Huatai Wealth Management Product on the redemption date and the initial subscription price, multiplied by the total unit of Huatai Wealth Management Product subscribed by the Subscriber.
2. This wealth management product is a non-principal guaranteed with variable return product redeemable on any dealing day subject to the compliance with the redemption procedures applicable. For the details of this wealth management product, please refer to the announcement of the Company dated 6 August 2025.

Save as disclosed above, the Group had no significant investment held or performed any material acquisition or disposal of subsidiaries, associated companies and joint ventures during the year ended 31 December 2025 and up to the date of this announcement.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 31 October 2019, the Group does not have other plans for material investments and capital assets during the year ended 31 December 2025 and up to the date of this announcement.

## SUBSEQUENT EVENTS

Save as disclosed in this announcement, no material events were undertaken by the Group subsequent to 31 December 2025.

## **OTHER INFORMATION**

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2025.

### **FINAL DIVIDEND**

For the year ended 31 December 2025, the Board recommended a final dividend (the “**Final Dividend**”) of RMB0.06056 (not subject to withholding tax) per ordinary share (2024: RMB0.04037 per ordinary share) to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Tuesday, 30 June 2026, totaling approximately RMB30.3 million (not subject to withholding tax), subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Thursday, 18 June 2026. The Final Dividend will be declared in RMB and paid in Hong Kong dollars (“**HKD**”) by applying the middle rate of HKD to RMB announced by The People’s Bank of China on 23 March 2026, which was HKD1.00 to RMB0.88114, as the applicable exchange rate for calculation of the Final Dividend. Subject to Shareholders’ approval at the AGM, the Final Dividend payable for each ordinary share shall be HKD0.06873 and the aggregate amount of which will be paid out of the Company’s share premium account. Total dividend payout ratio is 30% of the profit for the year attributable to the owners of the Company. The proposed Final Dividend is expected to be distributed to Shareholders on or around Friday, 17 July 2026.

### **CLOSURE OF THE REGISTER OF MEMBERS**

For determining eligibility to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Monday, 15 June 2026 to Thursday, 18 June 2026, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 12 June 2026.

For determining entitlement to the Final Dividend, the transfer books and register of members of the Company will be closed from Friday, 26 June 2026 to Tuesday, 30 June 2026, both days inclusive, during which period no transfers of shares of the Company will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at the abovementioned address not later than 4:30 p.m. on Thursday, 25 June 2026. Subject to the approval of Shareholders at the AGM, the Final Dividend will be despatched to Shareholders whose name appear on the register of members of the Company on 30 June 2026.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the principles and code provisions as set out in the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own code on corporate governance. During the year ended 31 December 2025, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2025.

## **REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Mak Hing Keung, Thomas, Mr. Ding Zaiguo and Ms. Zhang Lanrong. Mr. Mak Hing Keung, Thomas is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the audited consolidated financial statements and Annual Results of the Group and the accounting principles and policies adopted by the Group for the year ended 31 December 2025 and agreed with the accounting treatment adopted and the particulars mentioned in this announcement.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the Preliminary Announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board of Directors on 31 March 2026. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

**PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company (<http://pengfei.com.cn/>). The annual report of the Company for the year ended 31 December 2025 will be dispatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board  
**China PengFei Group Limited**  
**WANG Jiaan**  
*Chairman*

Hong Kong, 31 March 2026

*As of the date of this announcement, the board of directors of the Company comprises Mr. WANG Jiaan, Mr. ZHOU Yinbiao, Mr. XU Ruidong, and Mr. BEN Daolin as executive Directors, and Ms. ZHANG Lanrong, Mr. DING Zaiguo, and Mr. MAK Hing Keung, Thomas as independent non-executive Directors.*

\* *For identification purpose only*