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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

HIGHLIGHTS

- Revenue for the six months ended 30 June 2026 was approximately RMB527.6 million, representing a decrease of approximately 7.7% as compared to the corresponding period last year.
- Gross profit for the six months ended 30 June 2026 was approximately RMB123.7 million, representing a decrease of approximately 2.3% as compared to the corresponding period last year.
- Profit before tax for the six months ended 30 June 2026 was approximately RMB52.7 million, representing an increase of approximately 8.8% as compared to the corresponding period last year.
- Profit and total comprehensive income for the six months ended 30 June 2026 attributable to owners of the Company was approximately RMB43.5 million, representing an increase of approximately 3.7% as compared to the corresponding period last year.
- Earnings per share attributable to ordinary equity holders of the Company was RMB8.9 cents per share for the six months ended 30 June 2026.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board (the "**Board**") of directors (the "**Directors**") of China PengFei Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2026 with comparative figures for the corresponding period of last year.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Notes	**Six months ended 30 June 2026** *RMB'000* (unaudited)	2025 *RMB'000* (unaudited)
Revenue	*4*	**527,557**	571,583
Cost of sales and services		**(403,870)**	(445,011)
Gross profit		**123,687**	126,572
Other income		**18,092**	11,846
Other gains and losses		**(10,109)**	3,744
Selling and distribution expenses		**(33,236)**	(45,871)
Administrative expenses		**(28,856)**	(27,388)
Research expenditure		**(18,892)**	(18,836)
Impairment losses on trade and other receivables and contract assets, net of reversal		**2,014**	(1,648)
Finance costs		**(13)**	(8)
Profit before tax	*5*	**52,687**	48,411
Income tax expense	*6*	**(9,155)**	(6,413)
Profit and total comprehensive income for the period		**43,532**	41,998
Profit (loss) and total comprehensive income (expenses) for the period attributable to:			
– Owners of the Company		**44,504**	41,991
– Non-controlling interests		**(972)**	7
		43,532	41,998
Earnings per share	*8*		
– Basic (RMB cent)		**8.90**	8.40
– Diluted (RMB cent)		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	**30 June 2026** ***RMB'000*** **(unaudited)**	31 December 2025 *RMB'000* (audited)
NON-CURRENT ASSETS			
Term deposits		**150,000**	150,000
Property, plant and equipment		**322,177**	339,232
Investment properties		**5,909**	6,433
Intangible assets		**1,290**	1,438
Right-of-use assets		**42,918**	43,365
Contract costs		**13,620**	19,170
Deferred tax assets		**21,987**	22,626
		557,901	582,264
CURRENT ASSETS			
Inventories		**722,983**	534,460
Trade, bills and other receivables	*9*	**348,052**	339,698
Contract assets		**55,880**	64,081
Contract costs		**47,598**	33,755
Value-added tax recoverable		**15,777**	3,972
Prepayments to suppliers		**88,556**	42,662
Financial assets at fair values through profit or loss ("**FVTPL**")		**24,853**	25,587
Term deposits		**277,353**	126,000
Restricted bank deposits		**131,838**	58,396
Bank balances and cash		**570,950**	636,154
		2,283,840	1,864,765
CURRENT LIABILITIES			
Trade, bills and other payables	*10*	**674,924**	535,691
Contract liabilities		**1,033,003**	806,009
Dividend payable		**30,280**	–
Tax payable		**20,059**	26,176
Bank borrowings		**600**	700
Deferred income		**4,643**	4,643
		1,763,509	1,373,219
NET CURRENT ASSETS		**520,331**	491,546
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,078,232**	1,073,810

	Notes	30 June 2026 RMB'000 (unaudited)	31 December 2025 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**4,504**	4,504
Share premium		**–**	10,582
Reserves		**1,024,626**	999,820
Equity attributable to owners of the Company		**1,029,130**	1,014,906
Non-controlling interests		**663**	1,635
TOTAL EQUITY		**1,029,793**	1,016,541
NON-CURRENT LIABILITIES			
Other payables		**13,620**	19,170
Deferred income		**28,199**	30,520
Deferred tax liabilities		**6,620**	7,579
		48,439	57,269
		1,078,232	1,073,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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 on 15 November 2019. The addresses of the Company's registered office and its principal place of business are located at Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands and Benjiaji, Northern Suburb, Haian City, Jiangsu Province, the PRC, respectively. The principal activities of the 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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for financial assets, which are measured at fair values through profit or loss ("**FVTPL**"), as appropriate.

Other than change in accounting policies resulting from application of amendments to IFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2025.

Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standard issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	Annual Improvement to IFRS Accounting Standards – Volume 11

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of equipment, construction of production line and rendering of installation service, net of sales related taxes during the current interim period.

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of equipment, recognised at a point in time	**469,132**	428,778
Revenue from construction of production line, recognised over time	**46,074**	129,712
Installation service, recognised over time	**12,351**	13,093
	527,557	571,583

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 current interim period is as follows:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Mainland China	**321,043**	401,038
Outside Mainland China		
Including:		
Kuwait	**49,146**	–
Republic of Türkiye	**42,284**	15,368
Republic of Indonesia	**33,346**	275
Uzbekistan	**32,627**	31,400
Iceland	**16,675**	–
Other countries	**32,436**	123,502
	527,557	571,583

No segment assets and liabilities information is provided as no such information is regularly provided to the chief operating decision maker of the Group on making decision for resources allocation and performance assessment.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**17,909**	17,671
Depreciation of investment properties	**524**	524
Amortisation of intangible assets	**174**	52
Depreciation of right-of-use assets	**447**	442
	19,054	18,689
Capitalised in inventories	**(15,774)**	(11,838)
Total depreciation and amortisation charged to profit or loss	**3,280**	6,851
Impairment losses on trade receivables, net of reversal	**5,183**	(3,221)
Impairment losses on other receivables, net of reversal	**(48)**	92
Impairment losses on contract assets, net of reversal	**(3,121)**	1,481
	2,014	(1,648)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**PRC EIT**")	**7,154**	3,731
Deferred tax charge	**2,001**	2,682
	9,155	6,413

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

PengFei Holdings Limited is not subject to income tax or capital gain tax under the law of BVI.

No provision of Hong Kong profit tax was made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong profit tax during the six months ended 30 June 2025 and 2026.

Jiangsu Pengfei Group Limited* (江蘇鵬飛集團股份有限公司) obtained the renewal of "High Technology Enterprise" certification in 2024, and therefore continued the entitlement of a preferential tax rate of 15% to 5 November 2027.

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the six months ended 30 June 2025 and 2026.

7. DIVIDENDS

During the current interim period, a final dividend of RMB0.06056 (2025: RMB0.04375) per ordinary share in respect of the year ended 31 December 2025 was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to RMB30,280,000 (2025: RMB21,875,000).

The directors of the Company have determined that no dividend will be declared in respect of the six months ended 30 June 2026.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	**44,504**	41,991
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**500,000**	500,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2025 and 2026.

9. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Trade receivables	**252,704**	297,224
Less: Impairment loss allowance for trade receivables	**(64,905)**	(70,088)
	187,799	227,136
Bills receivables	**134,730**	100,401
Total trade receivables and bills receivables	**322,529**	327,537
Other receivables and prepayments		
Other receivables	**5,887**	5,560
Interest receivables	**9,629**	6,484
Prepaid expenses	**47**	110
Loans to independent third parties	**10,800**	800
	26,363	12,954
Less: Impairment loss allowance for other receivables	**(841)**	(793)
	25,523	12,161
	348,052	339,698

The Group does not grant any credit period to its customers.

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 period.

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
0 to 1 year	**98,863**	147,391
1 to 2 years	**57,004**	61,843
Over 2 years	**31,932**	17,902
	187,799	227,136

The following is an aged analysis of bills receivables presented based on the issue dates of bills receivables at the end of each reporting period.

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
0 to 180 days	**134,730**	99,385
181 days to 1 year	**–**	1,016
	134,730	100,401

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.

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 180 days	**134,730**	100,401

As at 30 June 2026 and 31 December 2025, no bills receivables of the Group were pledged to banks for issuing bills payables.

10. TRADE, BILLS AND OTHER PAYABLES

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**363,118**	350,101
Bills payables	**215,326**	89,298
Other taxes payables	**8,620**	9,281
Amounts due to independent third parties	**954**	994
Accrued expense	**1,587**	1,691
Accrued payroll and welfare	**10,163**	19,506
Commission fees payables	**80,393**	75,806
Lease liabilities	**260**	255
Other payables	**8,124**	7,929
	688,544	554,861
Analysed as:		
Current	**674,924**	535,691
Non-current	**13,620**	19,170
	688,544	554,861

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

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 1 year	**236,873**	274,414
1 year to 2 years	**61,584**	23,579
Over 2 years	**64,661**	52,108
	363,118	350,101

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

Age	**30 June 2026**	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 180 days	**215,326**	89,298

The following is an aged analysis of bills payable presented based on maturity dates at the end of each reporting period:

Age	**30 June 2026**	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 180 days	**215,326**	89,298

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) manufacturing 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 services, 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. For the six months ended 30 June 2026, revenue generated from customers in the building materials industry amounted to approximately RMB279.8 million (six months ended 30 June 2025: RMB208.9 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 of equipment manufacturing in non-building materials industries accounted for approximately 81.9% and 50.2%, respectively, of our total revenue in the manufacturing of equipment for the six months ended 30 June 2025 and 2026. 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 six months ended 30 June 2026, over 80.5% 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 conduct its business into potential markets along the "Belt and Road" countries including Uzbekistan and Türkiye. Revenue generated from our customers in the "Belt and Road" countries accounted for approximately 29.4%(Note) and 35.7%, respectively, of our total revenue for the six months ended 30 June 2025 and 2026. As at 30 June 2026, we had five on-going production line projects and they were located in "Belt and Road" countries.

Note: The list of countries participating in the Belt and Road Initiative has been updated since the prior reporting period. Accordingly, the relevant comparative figures for the six months ended 30 June 2025 have been restated to reflect the updated scope of Belt and Road countries.

Research and Development

To maintain the Group's market position in the metallurgical roasting segment of 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 focusing on the energy saving and environmentally-friendliness 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》), as well as the development of Programming-Free Drag-and-Teach Collaborative Robot Welding Workstation for Lifting Plates/Guide Plates of Lithium Ore Drying Rotary Kilns (《鋰礦烘乾回轉窯揚料板／導料板免編程拖動示教協作機器人焊接工作站》). During the first half of the year, the Group also participated in the revision of two national standards, namely Tube Mill Equipment for Cement Industry (《水泥工業管磨裝備》) and Technical Requirements for Energy Saving of Kiln Systems in Cement Industry (《水泥工業窯爐系統節能技術要求》). As at 30 June 2026, the Group had 206 authorised patents, comprising 131 invention patents. There are also 62 invention patent applications pending approval which primarily relate to manufacture of products in our rotary kiln and grinding equipment system.

Outlook

Looking ahead to the second half of the year, affected by external factors such as the continuation of regional conflicts and international trade frictions, global economic growth is expected to be mainly in a downward trend. The Group's EP/EPC business for overseas cement production lines and grinding stations may face certain challenges. However, with increased investment in the development of global critical minerals (such as copper, lithium, cobalt, and gold), external market demand will remain positive in the long term. Domestically, the advancement of industry measures to counter "excessive competition" ("**anti-involution**") is expected to contribute incremental demand to the building materials market. In a time when opportunities and challenges coexist, the industry is accelerating its transformation from "incremental expansion" to "quality enhancement of existing stock".

The Group will steadfastly pursue progress while maintaining stability, resolutely advancing along the path of strengthening its enterprise through the four pillars of technological advancement, internationalization, green development, and intelligent transformation. While solidifying its foundation in the building materials sector, the Group will launch a full-scale march into the metallurgical and new energy industries and accelerate its expansion into the global cement EPC market. Marching toward innovation, the Group 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. Committed to sustainability, the Group will implement the national dual-carbon strategy, optimize energy structures, and promote green manufacturing. Marching toward intelligence, the Group is fully committed to advancing digital and intelligent transformation. The Group will make new breakthroughs in applying digital and intelligent solutions across smart workshops, smart factories, and other scenarios, accelerating the formation of new quality productive forces. The Group will strengthen and optimize its high-end equipment manufacturing and engineering contracting businesses for steady and long-term development!

FINANCIAL REVIEW

Revenue

	Six months ended 30 June				Period-over-Period Change
	2026		2025		
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(Unaudited)		(Unaudited)		
Manufacturing of equipment	**469,132**	**88.93**	428,778	75.02	9.41
Construction of production line	**46,074**	**8.73**	129,712	22.69	(64.5)
Installation services	**12,351**	**2.34**	13,093	2.29	(5.6)
Total	**527,557**	**100.0**	571,583	100.0	(7.75)

Our revenue decreased by approximately RMB44.0 million or 7.7% to approximately RMB527.6 million for the six months ended 30 June 2026 from approximately RMB571.6 million for the six months ended 30 June 2025 mainly as a result of the decrease of revenue from our construction of production line business.

Manufacturing of equipment. Revenue derived from the manufacturing of equipment business increased by approximately RMB40.4 million or 9.4% to approximately RMB469.1 million for the six months ended 30 June 2026 from approximately RMB428.8 million for the six months ended 30 June 2025. Such increase was primarily due to the increase in sales of grinding equipment system during the six months ended 30 June 2026 as compared to the corresponding period last year.

Construction of production line. Revenue derived from our construction of production line business was approximately RMB46.1 million for the six months ended 30 June 2026 representing a decrease of approximately 64.5% from approximately RMB129.7 million for the six months ended 30 June 2025. The decrease was mainly due to the structured adjustment of its production lines, certain production lines were completed in the previous years, while the reserved production lines are still under progress. As the relevant recognition criteria have not yet been satisfied, the revenue has not yet been recognised, for the six months ended 30 June 2026.

Installation services. Revenue derived from our installation services business decreased by approximately RMB0.74 million or 5.6% to approximately RMB12.4 million for the six months ended 30 June 2026 from approximately RMB13.1 million for the six months ended 30 June 2025. This decrease was mainly due to the decrease in demand of installation services from customers under our manufacturing of equipment business for the six months ended 30 June 2026.

Cost of sales and services

Our cost of sales and services decreased by approximately RMB41.1 million, representing a decrease of 9.2% to approximately RMB403.9 million for the six months ended 30 June 2026 from approximately RMB445.0 million for the six months ended 30 June 2025. Cost of raw materials, being the largest component of our cost of sales and services, decreased by approximately RMB28.8 million during the six months ended 30 June 2026 as compared with the corresponding period last year.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately RMB2.9 million or 2.3% to approximately RMB123.7 million for the six months ended 30 June 2026 from approximately RMB126.6 million for the six months ended 30 June 2025. The Group's gross profit margin increase to 23.4% for the six months ended 30 June 2026 as compared to 22.1% for the corresponding period last year.

Other income

Our other income increased by approximately RMB6.2 million or 52.7% to approximately RMB18.1 million for the six months ended 30 June 2026 from approximately RMB11.8 million for the six months ended 30 June 2025 primarily attributable to increased interest income received and government grants during the six months ended 30 June 2026 as compared to the corresponding period last year.

Other gains and losses

Our other gains decreased by approximately RMB13.9 million or 370.0% to a net reversal of approximately RMB10.1 million for the six months ended 30 June 2026 from approximately RMB3.7 million for the six months ended 30 June 2025 mainly due to the decrease in our net gain on disposal of financial assets and foreign exchange loss during the six months ended 30 June 2026 as compared to the corresponding period last year.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB12.6 million or 27.5% to approximately RMB33.2 million for the six months ended 30 June 2026 from approximately RMB45.9 million for the six months ended 30 June 2025 mainly due to a decrease in commission, salary expenses, transportation expenses and port expenses incurred during the six months ended 30 June 2026 as compared to the corresponding period last year.

Administrative expenses

Our administrative expenses increased by approximately RMB1.5 million or 5.4% to approximately RMB28.9 million for the six months ended 30 June 2026 from approximately RMB27.4 million for the six months ended 30 June 2025 mainly attributable to higher design and technical service fees, employee welfare expense which has largely been offset by the lower business entertainment expense, tender service fees and patent expense during the six months ended 30 June 2026 as compared to the corresponding period last year.

Research expenditure

Our research expenditure increased by approximately RMB0.6 million or 0.3% to approximately RMB18.9 million for the six months ended 30 June 2026 from approximately RMB18.8 million for the six months ended 30 June 2025 mainly due to an increase in the research and development expenses in relation to equipment focusing on environmental friendly production methods for the purpose of improving the competitiveness of the Group in the related equipment market during the six months ended 30 June 2026 as compared with the corresponding period last year.

Impairment loss on trade and other receivables and contract assets, net of reversal

Impairment loss on trade and other receivables and contract assets decreased by approximately RMB3.6 million or 22.2% to reversal of impairment losses of approximately RMB2.0 million for the six months ended 30 June 2026 from impairment losses of approximately RMB1.6 million for the six months ended 30 June 2025 mainly due to the collection of outstanding trade receivables during the six months ended 30 June 2026.

Income tax expenses

Our income tax expenses increased by approximately RMB2.7 million or 42.8% to approximately RMB9.2 million for the six months ended 30 June 2026 from approximately RMB6.4 million for the six months ended 30 June 2025. Our effective tax rate was 13.2% and 17.4% for the six months ended 30 June 2025 and 2026, respectively.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income for the period attributable to owners of the Company increased by approximately RMB1.5 million or 3.7% to approximately RMB43.5 million for the six months ended 30 June 2026 from approximately RMB42.0 million for the six months ended 30 June 2025.

WORKING CAPITAL MANAGEMENT

The Group maintained sufficient working capital as at 30 June 2026 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 RMB520.3 million (31 December 2025: RMB491.5 million) with a current ratio calculated by dividing our current assets over our current liabilities of 129.5% as at 30 June 2026 (31 December 2025: 135.8%).

Inventories increased by approximately RMB188.5 million or 35.3% to approximately RMB723.0 million as at 30 June 2026 from approximately RMB534.5 million as at 31 December 2025. Inventory turnover days was 280.21 days for the six months ended 30 June 2026, representing an increase of 79.21 days as compared to 201 days for the year ended 31 December 2025. The increase in inventories was mainly due to an increase in domestic sales orders received during the six months ended 30 June 2026. The increase in inventory turnover days was mainly due to increase in our inventories during the six months ended 30 June 2026.

Trade, bills and other receivables increased by approximately RMB8.4 million or 2.5% to approximately RMB348.1 million as at 30 June 2026 from approximately RMB339.7 million as at 31 December 2025, among which bills receivables increased by approximately RMB34.3 million or 34.2% to approximately RMB134.7 million as compared with approximately RMB100.4 million as at 31 December 2025. Such change was mainly due to the increased number of domestic customers who used bank acceptance bills to settle our invoice. Our trade receivables turnover days was 70.79 days for the six months ended 30 June 2026 (2025: 64 days) representing an increase of 6.79 days. The increase in trade receivable turnover days during the six months ended 30 June 2026 was primarily due to the increase in our trade receivables during the six months ended 30 June 2026.

Prepayments to suppliers increased by approximately RMB45.9 million or 107.6% to approximately RMB88.6 million as at 30 June 2026 from approximately RMB42.6 million as at 31 December 2025 primarily due to increased advance payment made to the suppliers in relation to our construction of production line project.

Contract liabilities increased by approximately RMB227.0 million or 28.2% to approximately RMB1,033.0 million as at 30 June 2026 from approximately RMB806.0 million as at 31 December 2025. The increase in contract liabilities was mainly due to advance payments received from our customers during the year for the new and on-going contracts obtained.

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 30 June 2026, the Group had cash and cash equivalents of approximately RMB749.3 million (31 December 2025: approximately RMB725.2 million). A portion of the Group's bank deposits totaling approximately RMB131.8 million (31 December 2025: approximately RMB58.4 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 30 June 2026, we had banking facilities of approximately RMB1,510 million, of which approximately RMB429.8 million were utilised. The utilised banking facilities as at 30 June 2026 represented bank guarantee of approximately RMB336.9 million, bank acceptance bill amounted to approximately RMB89.4 million and loans of approximately RMB0.6 million. As at 30 June 2026, our Group had unutilised banking facilities amounted to approximately RMB1,080.2 million. As at 30 June 2026, the Group had bank borrowings of approximately RMB0.6 million (31 December 2025: RMB0.7 million). Among the approximately RMB0.6 million bank borrowings, approximately RMB0.5 million has an annual interest rate of 2.7%, which is expected to be fully repaid by 18 September 2026. The remaining bank borrowings of approximately RMB0.1 million has an annual interest rate of 2.6%, which is expected to be fully repaid by 8 January 2027.

As at 30 June 2026, 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 176.1% (31 December 2025: 140.9%). The increase in our gearing ratio was mainly due to the increase in total liabilities, in particular contract liabilities and trade, bills and other payables, as at 30 June 2026.

During the six months ended 30 June 2026, the Group recorded net cash generated from operating activities of approximately RMB169.6 million (six months ended 30 June 2025: RMB103.0 million). Net cash used in investing activities for the six months ended 30 June 2026 amounted to approximately RMB140.8 million (six months ended 30 June 2025: RMB94.7 million). Net cash used in financing activities for the six months ended 30 June 2026 amounted to approximately RMB0.1 million (six months ended 30 June 2025: RMB1.3 million).

The Board and the management of the Company had been closely monitoring the Group's liquidity position, performing ongoing credit evaluations, and 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, engaged in any currency hedging or had 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 bank borrowings, lease liabilities, loans to and amounts 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 policies. 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, restricted bank deposits and bank balances.

Given that 3.7% of the total trade receivables was due from a construction of production line customer of the Group as at 30 June 2026 (31 December 2025: 4%), the Group has no significant concentration of credit risk.

Liquidity risk

During the six months ended 30 June 2026, 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 30 June 2026, the Group did not have any significant contingent liabilities (31 December 2025: Nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2026, the Group's capital expenditure amounted to approximately RMB0.9 million (six months ended 30 June 2025: purchase of and deposit paid for property, plant and equipment and purchase of intangible assets of approximately RMB0.5 million) which was mainly related to the purchase of and deposit paid for property, plant and equipment.

PLEDGE OF ASSETS

As at 30 June 2026, the Group's restricted bank deposits of approximately RMB131.8 million (31 December 2025: in respect of restricted bank deposits and bills receivables and term deposits of approximately RMB58.4 million) were pledged to banks for issuing bills payables.

CAPITAL COMMITMENTS

As at 30 June 2026, the Group's capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for amounted to approximately RMB2.6 million (31 December 2025: nil).

OFF-BALANCE SHEET TRANSACTIONS

Save for the capital commitments and pledged assets disclosed above, the Group did not enter into any material off-balance sheet transactions or arrangements during the six months ended 30 June 2026 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION INFORMATION

As at 30 June 2026, the Group had a total of 1,005 employees (30 June 2025: 1,003) including staff from administrative, finance, sales, supply, technical, quality control, and production departments.

Remuneration packages of our employees usually comprise, among other things, salaries, bonus, 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 six months ended 30 June 2026, the Group incurred staff cost (including Directors' remuneration) of approximately RMB68 million (six months ended 30 June 2025: approximately RMB62.0 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

The Group invested its available cash-in-hand in wealth management products as part of the Group's treasury measure for better short-term cash flows management purposes. As at 30 June 2026, the financial assets at FVTPL held by the Group were RMB24.9 million (31 December 2025: RMB25.6 million), representing 0.87% of total assets of the Group. Details of the financial assets at FVTPL held by the Group as at 30 June 2026 are set out as follows[Note (1)]:

Financial assets at FVTPL	**Subscription date**	**Interest rate** *(per annum)*	**Maturity date**	**Principal amount of subscription** *(HKD'000)*	**Changes in fair value for the six months ended 30 June 2026** *(HKD'000)*	**Carrying amount as of 30 June 2026** *(HKD'000)*	**Percentage of total assets of the Group as of 30 June 2026**
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[Note 1]	6 August 2025	Dependent on other factors[Note 2]	No fixed term[note 3]	28,000.0	294.9	28,623.7	0.87%

Note:

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.*

3. *The Group has redeemed the Huatai wealth management product on 15 July 2026.*

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 six months ended 30 June 2026.

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 any other plans for material investments and capital assets as at the date of this announcement.

SUBSEQUENT EVENTS

On 20 August 2026, China Pengfei International Engineering (中國鵬飛國際工程有限 公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, subscribed for the wealth management product of CMB International HKD Money Market Fund, which is known as "Class I HKD", CMB International HKD Money Market Fund pursuant to the product key facts of CMBI HKD Money Market Fund which is a sub-fund of the CMB International Open-ended Fund Company, a public umbrella open-ended fund pursuant to the custody agreement dated 18 December 2023 (as amended from time to time) between CMB International Asset Management Limited and CMB International Open-ended Fund Company through CMB International Securities Limited in an amount of HK$30,000,000. For details of the subscription of this wealth management product, please refer to the announcement of the Company dated 20 August 2026.

Save as disclosed in this announcement, the Group does not have other material events subsequent to 30 June 2026.

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 six months ended 30 June 2026.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance. During the six months ended 30 June 2026, 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 six months ended 30 June 2026.

REVIEW OF UNAUDITED INTERIM RESULTS BY THE AUDIT COMMITTEE

Audit Committee

The Company established an audit committee (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 members, 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 the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2026. The Audit Committee is of the view that the unaudited interim condensed financial information are in compliance with the applicable accounting standards, the Listing Rules and other legal requirement and that sufficient disclosure has been made.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2026 have not been audited or reviewed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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) and that of the Company (http://pengfei.com.cn/). The interim report of the Company for the six months ended 30 June 2026 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and that of the Company in due course.

By order of the Board
China PengFei Group Limited
WANG Jiaan
Chairman and executive Director

Hong Kong, 28 August 2026

As of the date of this announcement, the Board comprises Mr. WANG Jiaan (Chairman), 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*