

# China PengFei Group Limited 中国鹏飞集团有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 3348



2025  
Annual Report  
年度報告

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Jiaan (王家安)  
Mr. Zhou Yinbiao (周銀標)  
Mr. Dai Xianru (戴賢如) (resigned on 18 June 2025)  
Mr. Ben Daolin (賁道林)  
Mr. Xu Ruidong (徐瑞東) (appointed on 18 June 2025)

### Independent Non-executive Directors

Ms. Zhang Lanrong (張嵐嶸)  
Mr. Ding Zaiguo (丁再國)  
Mr. Mak Hing Keung, Thomas (麥興強)

## AUDIT COMMITTEE

Mr. Mak Hing Keung, Thomas (麥興強) (Chairman)  
Mr. Ding Zaiguo (丁再國)  
Ms. Zhang Lanrong (張嵐嶸)

## NOMINATION COMMITTEE

Mr. Wang Jiaan (王家安) (Chairman)  
Mr. Ding Zaiguo (丁再國)  
Mr. Mak Hing Keung, Thomas (麥興強)  
Ms. Zhang Lanrong (張嵐嶸)

## REMUNERATION COMMITTEE

Mr. Ding Zaiguo (丁再國) (Chairman)  
Mr. Dai Xianru (戴賢如) (resigned on 18 June 2025)  
Mr. Xu Ruidong (徐瑞東) (appointed on 18 June 2025)  
Ms. Zhang Lanrong (張嵐嶸)

## INVESTMENT COMMITTEE

Mr. Dai Xianru (戴賢如) (Chairman) (resigned on 18 June 2025)  
Mr. Xu Ruidong (徐瑞東) (appointed on 18 June 2025)  
Mr. Wang Jiaan (王家安)  
Mr. Zhou Yinbiao (周銀標)  
Mr. Ben Daolin (賁道林)

## COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡) (LLM, FCG, HKFCG)

## AUTHORISED REPRESENTATIVES

Mr. Ben Daolin (賁道林)  
Ms. Chau Hing Ling (周慶齡) (LLM, FCG, HKFCG)

## REGISTERED OFFICE

Suite #4-210, Governors Square  
23 Lime Tree Bay Avenue  
PO Box 32311  
Grand Cayman KY1-1209  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Benjiayi, Northern Suburb  
Haian City  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
P.O. Box 1350, Clifton House  
75 Fort Street, Grand Cayman  
KY1-1108  
Cayman Islands

## AUDITOR

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## PRINCIPAL BANKERS

Jiangsu Bank, Haian Branch  
No. 1, Changjiang Zhonglu  
Haian City, Jiangsu Province  
PRC

Bank of China, Haian Branch  
No. 18, Changjiang Zhonglu  
Haian City, Jiangsu Province  
PRC

## COMPANY'S WEBSITE

<http://pengfei.com.cn/>

## STOCK CODE

3348

## 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.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of China PengFei Group Limited ("China PengFei" or the "Company"), I hereby present to you the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025.

In 2025, in response to various challenges, such as complicated market environment and industry contraction and restructuring, the Group refreshed its efforts to tap into its internal potential and expand international market demand for stable production and operations while steadily improving quality and safety. The Company was honored with the Governor Quality Award of Jiangsu Province and the Jiangsu Provincial Advanced-Level Smart Factory. As of 31 December 2025, the Group recorded revenue of approximately RMB1,433.0 million and total gross profit of approximately RMB301.4 million, representing an increase of 13.8% and 20.6% year-on-year as compared with the corresponding period of last year, respectively.

In 2025, with the new development concept put into full practice, the Group served and integrated into the new development pattern and accelerated its transformation and development. The "Overseas Application Project for Complete Sets of Lime Calcination Equipment" was approved by the Jiangsu Provincial Department of Science and Technology. The "Lithium Mine Roasting Rotary Kiln Project," part of the national special program for pollution control and energy conservation and carbon reduction, was successfully completed and accepted. The "Green and Clean Pyrolysis Equipment for Low-rank Coal" passed the provincial acceptance review for major scientific and technological achievements. Both the Nantong municipal "open competition mechanism to stimulate the enthusiasm of innovation entities" project and the "trademark and brand cultivation and protection project" of Jiangsu Province were wrapped up. Furthermore, the pilot project for the standardization of strategic emerging industries passed the provincial acceptance review and was rated as excellent.

The National Enterprise Technology Center and the Jiangsu Provincial Engineering Research Center passed the annual performance evaluation. The Group also successfully underwent re-certification for the AEO advanced certification, as well as the quality and intellectual property management systems, and passed the surveillance audits for the environmental, occupational health, and energy management systems. The "Key Technologies and Engineering Applications of Large Rotary Kiln Complete Equipment" project, conducted in collaboration with Tsinghua University, was awarded the First Prize for Scientific and Technological Progress by the China Building Materials Machinery Association and the Third Prize for Scientific and Technological Progress by the Jiangsu Provincial People's Government. Additionally, the Low-rank Coal Pyrolysis Rotary Kiln was recognized as a Jiangsu Provincial First

(Set) Major Technical Equipment. Over the past year, the Company realized a photovoltaic solar power generation of 5.25 million/kWh, significantly reducing the cost for purchased electricity, facilitating clean production, and reducing energy consumption and carbon emissions.

In 2025, the Company made great efforts to advance the construction of multiple overseas projects in Uzbekistan, Kenya, Morocco, and Ghana. The ECO cement production line in Uzbekistan, the cement production line in Kenya, and the cement grinding station projects in Morocco were put into production as scheduled. Meanwhile, the Company secured clinker production lines and cement grinding station projects in Turkey and other countries.

The year 2026 marks the commencement of the 15th Five-Year Plan and the glorious 70th anniversary of PengFei 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 launch a full-scale march into the metallurgical and new energy industries and accelerate our expansion into the global cement EPC market. Marching toward 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. Committed to sustainability, we will implement the national dual-carbon strategy, optimize energy structures, and promote green manufacturing. Marching toward 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 quality productive forces. We will strengthen and optimize our high-end equipment manufacturing and engineering contracting businesses for the steady and long-term development.

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to the management team and our employees for their hard work and inspirational contributions to the development of the Group. I would also like to thank our shareholders, investors, customers, and partners who have always been supporting the development of the Group! With the joint efforts of all parties, the Group will surely create new achievements and achieve glory in our future expeditions.

China PengFei Group Limited  
WANG Jiaan  
*Chairman*

Jiangsu, the PRC  
31 March 2026

# 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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-
	2025		2024		over-Year
	RMB'000	%	RMB'000	%	Change
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.

## MANAGEMENT DISCUSSION AND ANALYSIS

*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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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).

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 <i>(per annum)</i>	Maturity date	Principal amount of subscription <i>('000)</i>	Changes in	Carrying	Percentage
					fair value for the year ended 31 December 2025 <i>('000)</i>	amount as of 31 December 2025 <i>('000)</i>	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.

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company's Shares were listed on the Stock Exchange on 15 November 2019 ("Listing"). The Company and its subsidiaries now comprising the Group underwent the reorganisation which was completed on 8 September 2018 as set out in the prospectus of the Company dated 31 October 2019 ("Prospectus"). During the year ended 31 December 2025, the subsidiaries now comprising the Group were involved in rotary kilns, grinding equipment and their related equipment manufacturing and installation, and construction of production line business.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 39 to the consolidated financial statements. A review and analysis of the Group's performance for the year ended 31 December 2025 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections in this annual report. For future business development, the Group will continue to focus on its existing businesses and expand its customer base by reinforcing the Group's market presence in the building material industry and further diversifying into metallurgy, chemical and environmental protection industries. Save as disclosed in the section headed "Directors' Report – Subsequent Events" in this annual report, there were no significant events of the Group after the year ended 31 December 2025 and up to the date of this annual report.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2025 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report. A financial summary of the Group for the five years ended 31 December 2021, 2022, 2023, 2024 and 2025 have been set out on page 126 in this annual report.

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.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces, among others, the following principal risks and uncertainties:

### (i) Reliance on the macroeconomic conditions in the PRC

The Group generates a substantial portion of revenue from sales in China. Our business and future growth prospects depend on general economic conditions and levels of construction and infrastructure development in the PRC and overseas countries where our customers are based. For example, in the PRC, the increasing urbanization rate, the rapid development of construction industry and widening application of rotary kiln and grinding equipment in broader fields such as metallurgy, chemical and environmental protection industries have enormously prompted the demand for building materials production and processing equipment, especially rotary kilns, grinding equipment and their related equipment over the past few years. It cannot be assured that China's economy will continue to grow or that its growth will be steady or occur in the geographical regions or economic sectors that related to the Group.

### (ii) Reliance on customers from the building materials industry

Any changes to downstream industries in overseas and China markets that our Group's products in the rotary kiln and grinding equipment systems cater to, in particular, the building materials industry which accounted for approximately 38.3% (2024: 41.7%) of our total revenue for the year ended 31 December 2025, will have a direct impact on our sales volume and eventually our results of operations. The development of infrastructure and building construction in China and overseas markets will continuously generate a growing consumption demand for a variety of building materials, especially cement. Our sales volume will be directly impacted by the urbanization rate and the development of construction industry.

### (iii) Uncertainty as to expanding the Group's business into the "Belt and Road" countries as well as risks associated with international sales

One of our business strategies is to extend our international footprint to more "Belt and Road" countries in Central and East Europe and Central Asia regions. Expansion into "Belt and Road" countries may give rise to various associated risks, including legal and political risks. Foreign companies venturing into "Belt and Road" countries may not have access to adequate legal protection, especially where legal regimes are underdeveloped and have low credibility, and where social and judicial corruption is rife. In addition, certain "Belt and Road" countries suffer from political instability, civil unrest or even armed conflict, which will require foreign companies entering into such "Belt and Road" countries to maintain a robust business continuity plan and good security intelligence, all of which will necessitate a certain amount of expenditure. As a result of such high risk jurisdictions and given the fact that our employees are required to provide technical support and/or training in such places from time to time, we may be required to put in place certain security measures to ensure the safety of our employees and/or other assets, if any. There is no guarantee that such security measures will be entirely foolproof and the purchase and maintenance of such additional security measures may also result in substantial expenses for our Group, depending on the seriousness of the situation in the relevant jurisdiction, which may in turn affect our financial condition and outweigh the benefits of undertaking projects in such "Belt and Road" countries. Expansion may therefore place undue pressure on our financial, personnel and management resources that would be otherwise available for our current business operations.

In addition, a substantial portion of our total revenue is generated from the sale of our products and/or provisions of our services to customers outside the PRC. During the year ended 31 December 2025, revenue generated from our customers outside mainland China amount to approximately RMB415.0 million (2024: RMB322.4 million), representing approximately 29.0% (2024: 25.6%) of our total revenue. Our plan to expand our customer base by venturing into newly emerged markets including the "Belt and Road" countries, may be subject to a variety of risks and uncertainties associated with such expansion, including: (a) political and economic instabilities; (b) foreign exchange rate exposure and the risk of foreign exchange control; (c) exposure to increased litigation risks in overseas markets; (d) unfamiliarity with local laws, regulatory requirements, operating and market conditions; (e) cultural and language difficulties; (f) competition from local companies; (g) foreign taxes; and (h) potential disputes and difficulty in managing relationships with foreign customers.

Given the above, we cannot assure you that our future expansion plans and international sales into these markets will be smooth or successful. If our future expansion plans into such "Belt and Road" countries encounter difficulties or do not reap the anticipated benefits, the additional costs incurred may adversely affect our business, financial condition and results of operation.

## (iv) Fluctuation in costs of raw materials

Our principal raw materials are steel materials including steel plates, castings and forgings, and our principal parts and components include motors, reducers and bearings. During the year ended 31 December 2025, the cost of raw materials was a major component of our cost of sales and services, representing approximately 79.1% (2024: 76.6%) of our total cost of sales and services. Any material fluctuation in the cost of raw materials may affect the results of our operations. Costs of raw materials may fluctuate subject to factors beyond our control including availability and supply of the raw materials, inflation of labour costs, economic and market conditions and changes in suppliers' business plans and marketing strategies. We cannot assure the Shareholders and potential investors that our costs of raw materials will not fluctuate in the future. If such costs increase, it will directly affect our revenue and profit margin which will in turn materially and adversely affect our business, financial condition and results of operations.

For details of the other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus, and for details of the financial risks and the related risk management policies and practices used by the Group, please refer to note 35 headed "Financial risk management objectives and policies" to the consolidated financial statements in this annual report.

## SUBSEQUENT EVENTS

Save as disclosed in "Management Discussion and Analysis" section this report, the Board is not aware of any material events undertaken by the Group subsequent to 31 December 2025 and up to the date of this report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 14 to the consolidated financial statements in this annual report.

## SHARE CAPITAL

Details of the movements during the year ended 31 December 2025 in the share capital of the Company are set out in note 28 to the consolidated financial statements in this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the amended and restated articles of association of the Company (the "Articles") or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

# DIRECTORS' REPORT

## DONATION

Charitable and other donations made by the Group during the year ended 31 December 2025 amounted to RMB23,000.00 (2024: RMB200,000.00).

## RESERVES

Details of the amounts and movements in the reserves of the Company and the Group are set out in note 38 to the consolidated financial statements in this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB999.8 million (2024: RMB898.9 million).

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, the revenue derived from the Group's largest customer and the five largest customers accounted for approximately 6.56% and 29.46% (2024: approximately 9.52% and 39.66%) of the Group's total revenue for the year, respectively.

During the year ended 31 December 2025, purchases from the Group's largest supplier and five largest suppliers accounted for approximately 17.80% and 35.99% (2024: approximately 17.73% and 35.48%) of the Group's total purchases for the year, respectively.

So far is known to the Directors, at no time during the year ended 31 December 2025 that any of the Directors, their close associates or any Shareholders who owned more than 5% of the Company's issued share capital, had any interests in any of the above five largest customers and suppliers of the Group for the year.

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. During the year ended 31 December 2025, there were no material and significant dispute between the Group and its employees, suppliers, customers and/or other stakeholders.

## CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 36 to 54 of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment and complying with the applicable environmental laws and regulations.

Our business is subject to provisions under PRC environmental laws and regulations on noise, waste water, air emission and other industrial waste. The major governing environmental laws and regulations consist of the Environmental Protection Law of the PRC\* 《中華人民共和國環境保護法》, the Law of the PRC on the Prevention and Control of Water Pollution\* 《中華人民共和國水污染防治法》, the Law of the PRC on the Prevention and Control of Air Pollution\* 《中華人民共和國大氣污染防治法》, the Law of PRC on the Prevention and Control of Solid Waste Pollution\* 《中華人民共和國固體廢物污染環境防治法》, and the Law of the PRC on the Prevention and Control of Noise Pollution\* 《中華人民共和國環境噪聲污染防治法》.

In order to avoid any potential environmental issue, we have also implemented certain measures, including:

- (i) emitting pollutants generated in the course of production, such as sulfur dioxide, smoke and industrial solid waste, according to standards; and
- (ii) conducting environmental impact assessment and completing environmental approval procedures as required before production.

The Company's Environmental, Social and Governance Report will be prepared separately from this annual report and will be published on the same date as this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to keep itself updated over the requirement of the relevant laws and regulations applicable to it to ensure compliance. Save as disclosed in the Prospectus, during the year ended 31 December 2025 and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are provided in the section headed "Corporate Governance Report" of this annual report.

\* For identification purpose only

# DIRECTORS' REPORT

## DIRECTORS

The Directors who held office during the year ended 31 December 2025 and up to the date of this annual report were:

### Executive Directors

Mr. Wang Jiaan (王家安)

Mr. Zhou Yinbiao (周銀標)

Mr. Dai Xianru (戴賢如) (*resigned on 18 June 2025*)

Mr. Ben Daolin (賁道林)

Mr. Xu Ruidong (徐瑞東) (*appointed on 18 June 2025*)

### Independent Non-executive Directors

Ms. Zhang Lanrong (張嵐嶸)

Mr. Ding Zaiguo (丁再國)

Mr. Mak Hing Keung, Thomas (麥興強)

In accordance with the Articles, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. For details about the retirement and rotation of Directors, please refer to the paragraph headed "Corporate Governance Report – The Board" on page 37 of this annual report.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of all the Directors and senior management of the Company are set out on pages 26 to 35 of this report.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there has been no change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors as independent.

## RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the statutory mandatory provident fund scheme in Hong Kong. The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the retirement benefits contributions of the Company are set out in note 9 to the consolidated financial statements in this annual report.

## DIRECTORS' SERVICE CONTRACT

Each of our executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term, which may be terminated in accordance with the provisions of the service agreement or by not less than three months' notice in writing served by either our Directors or the Company on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of four years on 25 October 2019. The term of appointment of each of our Independent non-executive directors has been renewed and extended by virtue of the first renewal letter dated 8 November 2023 and the second renewal letter dated 11 December 2024, which extended the tenure of our Independent non-executive Directors to 14 November 2027 and may be terminated at any time by either party at anytime by giving notice to the other and subject to rotation, removal, vacation or termination of such office in accordance with the Article.

Pursuant to the individual service agreement, each of our executive Directors is entitled to a fixed amount of emolument and discretionary management bonus to be determined by our Board. For our independent non-executive Directors, pursuant to the then individual appointment letters, each of them is entitled to a fixed director's fee. Details of the remuneration of the Directors are set out in note 11 to the consolidated financial statements in this annual report.

All of the executive Directors' service agreements and independent non-executive Directors' letters of appointment entered between the Company and the respective Director has been reviewed and ratified by the Nomination Committee.

Save as disclosed above, none of the Directors being proposed for re-election at the AGM has a Director's service agreement with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DEED OF NON-COMPETITION

Mr. Wang Jiaan and Ambon Holding Limited (together, the "**Controlling Shareholders**"), have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition (the "**Deed of Non-Competition**") entered into between the Controlling Shareholders and the Company dated 28 October 2019 during the year ended 31 December 2025 and up to the date of this annual report. Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders during the year ended 31 December 2025.

# DIRECTORS' REPORT

## MANAGEMENT CONTRACT

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

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended 31 December 2025 are set out in note 37 to the consolidated financial statements contained herein this annual report. None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. During the year ended 31 December 2025, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE FOR PROVISION OF SERVICES

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Controlling Shareholder or its subsidiaries had a material interest in, whether directly or indirectly, and no contracts of significance for the provision of services to the Group by a Controlling Shareholder or any of its subsidiaries subsisted at the end of or at any time during the year ended 31 December 2025.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest in, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2025.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"), were as follows:

## Long Positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Mr. Wang Jiaan (王家安)	Interest in controlled corporation <sup>(Note 1)</sup>	230,893,711	46.17%

Note:

- (1) Ambon Holding Limited is wholly-owned by Mr. Wang Jiaan (王家安) who is deemed to be interested in the Shares held by Ambon Holding Limited under the SFO.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

## Directors' Rights to Acquire Shares and Debentures

At any time during the year ended 31 December 2025 and up to the date of this annual report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which would enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at 31 December 2025, the following persons (other than Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) had interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

# DIRECTORS' REPORT

## Long positions in the Shares

Name of Substantial Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Ambon Holding Limited	Beneficial owner <sup>(Note 1)</sup>	230,893,711	46.17%
PF International Group Limited ("PF International")	Beneficial owner <sup>(Note 2)</sup>	133,211,176	26.64%
PF Global Limited ("PF Global")	Beneficial owner <sup>(Note 3)</sup>	49,635,386	9.93%

Notes:

- (1) Ambon Holding Limited is wholly-owned by Mr. Wang Jiaan (王家安) who is deemed to be interested in the Shares held by Ambon Holding Limited under the SFO.
- (2) These Shares are held by PF International, which is owned as to approximately 26.51% by Mr. Zhou Yinbiao (周銀標), 18.55% by Mr. Yu Yangui (于延桂), 16.76% by Mr. Dai Xianru (戴賢如), 13.7% by Mr. Wang Yun (王雲), 9.76% by Mr. Ben Daolin (賁道林), 8.26% by Mr. Chen Lidong (陳黎東) and 6.46% by Mr. Ben Daochun (賁道春).
- (3) These Shares are held by PF Global, which is owned as to approximately 19.2% by Ben Xudong (賁旭東), 32.64% by Chen Yulou (陳玉樓), 21.6% by Cai Tongfu (蔡同富), 1.92% by Liu Chengguan (劉成官), 1.92% by Qian Jiayin (錢加銀), 1.28% by Zhang Doufa (張鬥發), 1.28% by Ding Jialin (丁佳林), 0.64% by Wang Shiqin (王世芹), 0.64% by Ding Qinghai (丁慶海), 0.64% by Cui Hengfu (崔恒富), 0.64% by Jiao Yuanjin (焦遠進), 0.64% by Wang Xiaobo (王小波), 0.64% by Yu Zhongwen (于中文), 0.64% by Lin Xianyue (林先月), 0.64% by Yuan Xiaofei (袁小飛), 1.12% by Zhou Bugao (周步高), 1.12% by Shen Jixiang (沈吉祥), 0.64% by Zhou Yue (周悅), 0.64% by Zhou Kewen (周克穩), 0.64% by Zhou Jin (周錦), 0.48% by Wang Huajun (王華俊), 0.48% by Zhang Gui (張貴), 0.48% by Liu Yaqin (劉亞芹), 0.48% by Ben Zhonglin (賁忠林), 0.64% by Wang Jin (王進), 0.64% by Jiang Xiaoming (蔣曉明), 0.64% by Wu Yijun (吳義軍), 0.48% by Pei Haiqing (裴海青), 0.48% by Cui Xinxin (崔欣欣) (which was inherited from Cui Yegui (崔業貴) on 1 July 2018), 0.48% by Zhou Jianyi (周建益) and 5.6% by Pei Qirong (裴其榮).

Save as disclosed above, as at 31 December 2025, the Directors were not aware of any other person who had or deemed to have interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the existing Directors is currently in force since the Listing Date. The Company has taken out directors' liability insurance that provides appropriate cover for the Directors during the year ended 31 December 2025.

## COMPETING INTEREST

Save as disclosed in this annual report, during the year ended 31 December 2025, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, none of the Directors or the Controlling Shareholders of the Company or their close associates (as defined in the Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group, nor did any of them have or may have any conflicts of interest in relation to the Group of interests with the Group for the year ended 31 December 2025.

## BORROWINGS

As at 31 December 2025, the Group had bank borrowings of approximately RMB0.7 million (31 December 2024: approximately RMB0.2 million).

## DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2025.

## RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the year ended 31 December 2025 was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate. No equity-linked agreements were entered into by the Company during the year ended 31 December 2025 or subsisted at the end of the year.

## PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2025 and up to the date of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules during the year ended 31 December 2025 and up to the date of this annual report.

## BOARD COMMITTEES

The Board has established four committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and investment committee (the "**Investment Committee**") for overseeing particular aspects of the Company's affairs. All the Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at <http://pengfei.com.cn/>.

All the Board committees should report to the Board on their decisions or recommendations made. All Board committees members are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

### ISSUE OF SHARES AND USE OF PROCEEDS FROM THE SHARE OFFER

In connection with the Listing, on 15 November 2019, 125,000,000 new Shares were issued at a price of HK\$1.58 per Share and 323,614,100 new Shares were issued pursuant to the Capitalisation Issue (as defined in the Prospectus).

The net proceeds raised by the Company from the abovementioned Share Offer (as defined in the Prospectus), after deducting the underwriting fees and commission and expenses of the Company, amounted to approximately HK\$150.0 million. The details of use of proceeds by the Group are set out in "Management Discussion and Analysis – Use of Proceeds from the Share Offer" of the annual report of the Company for the year ended 31 December 2022.

### AUDITOR

Since the Listing, the Company has engaged Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong, as the auditor of the Company. The consolidated financial statements for the year ended 31 December 2025 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong, the auditor of the Company, who will retire at the conclusion of the AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment by Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

## AGM

The AGM of the Company will be held on Thursday, 18 June 2026. A notice of convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

### To be eligible to attend and vote at the forthcoming annual general meeting

For the purpose of determination of 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 transfer of Shares of the Company will be effected. In order to be entitled to attend and vote at the AGM to be held on Thursday, 18 June 2026, all transfer of Shares documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 12 June 2026.

### To qualify for the proposed Final Dividends

For the purpose of ascertaining Shareholders' 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 transfer of Shares of the Company will be effected. To be qualified for receiving the proposed final dividends, all transfer of Shares documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, 25 June 2026.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

All references above to other sections, reports or notes in this Directors' report form part of this annual report.

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

Jiangsu, China  
31 March 2026

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

### Mr. Wang Jiaan

Mr. Wang Jiaan (王家安) (“**Mr. Wang**”), aged 68, is an executive Director and the chairman of the Board. Mr. Wang was appointed as our Director on 31 July 2017 and re-designated as our executive Director on 13 March 2019. Mr. Wang is primarily responsible for overall management, corporate policy making and strategic planning of our Group’s business operations. Mr. Wang is the father-in-law of Mr. Shi Pengyu (施鵬宇), a senior management of our Group.

Mr. Wang has more than 40 years of experience in special equipment manufacturing business. Prior to joining our Group, Mr. Wang worked in Haian County Building Equipment Manufacturing Plant\* (海安縣建材設備製造總廠) as a mechanical workshop technician and workshop manager from October 1977 to July 1984 and was promoted as the deputy plant manager and technical manager from July 1984 to May 1994. Since then, Mr. Wang joined Jiangsu Pengfei and served as the deputy general manager from May 1994 to October 2001 and was promoted as the general manager from October 2001 to October 2003. Since October 2003, Mr. Wang has served as the chairman and general manager of Jiangsu Pengfei.

Mr. Wang has completed the provincial level mechanical industry professional technical staff high-level transformation innovative upgrading senior training course at the Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人力資源和社會保障廳); and Jiangsu Province Mechanical Industry Association\* (江蘇省機械行業協會) in August 2012. Mr. Wang has completed the Nantong City modern entrepreneur senior training course at Shanghai Jiaotong University in the PRC in April 2012. Mr. Wang was awarded with a certificate after completion of the 7th Jiangsu province technological entrepreneur (investment & financing strategy and capital operations) training course at Renmin University of China in the PRC in March 2011. Mr. Wang has completed the senior business administration executive training course at Tsinghua University in the PRC in July 2008. Mr. Wang was awarded with a certificate after completion of the building materials mechanical professional certificate at Yancheng Industrial Institute (鹽城工業專科學校) in February 1996.

Mr. Wang is a researcher-level senior engineer, recognised by the Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人力資源和社會保障廳) in November 2012, and is a first level/senior technician, recognised by the Ministry of Human Resources and Social Security, the PRC (中華人民共和國人力資源和社會保障部) in November 2012.

Mr. Wang participated in public services including, among others, acting as the Vice-chairman of the 5th Committee of the China Building Materials Machinery Industry Association\* (中國建材機械工業協會) from December 2008 to December 2013, the Vice-chairman of the 5th Committee of the China Building Materials Federation (中國建築材料聯合會) from October 2016 to September 2021, the Chairman of Haian County Building Materials Machinery Business Association\* (海安縣建材機械業商會) from October 2016 to September 2021, a member of the 16th Committee of the Chinese National People’s Congress of Haian County\* (中國海安縣第十六屆人民代表大會) from January 2017 to December 2021, the Chairman of the 4th Machinery Committee of Jiangsu Province Building Materials Industry Association\* (江蘇省建材行業協會) from March 2017 to February 2022 and a member of the 14th Committee of the Chinese National People’s Congress of Nantong City\* (中國南通市第十四屆人民代表大會) from January 2012 to December 2016. Since August 2017, Mr. Wang has also held the position as the secretary of Jiangsu Pengfei branch of the Chinese Communist Party\* (中國共產黨江蘇鵬飛集團股份有限公司黨委書記).

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang has received awards from various organisations as follows:

<b>Name of organisations</b>	<b>Award</b>	<b>Year of award</b>
China Building Materials Federation (中國建築材料聯合會)	National Building Materials Industry Reform and Opening-up Thirty Years Representative* (全國建材行業改革開放三十年代表人物)	March 2009
Jiangsu Provincial People's Government (江蘇省人民政府)	Provincial Model Worker* (省勞動模範)	April 2011
China Building Materials Machinery Industry Association* (中國建材機械工業協會)	"Eleven-Five" Building Materials Machinery Enterprise Leader* ("十一五" 建材機械企業領軍人物)	July 2011
Nantong City People's Government (南通市人民政府)	2013 Nantong Private Economy "Distinguished Enterprise, Brand and Leader"* Leader of the Year (2013年南通民營經濟"名企、名品、名人"年度人物)	March 2014
Haian County Chinese Communist Party Committee (中國共產黨海安縣委員會); and Haian County People's Government (海安縣人民政府)	2016 Five-Star Entrepreneur* (2016年度五星級企業家)	January 2017
All China Federation of Trade Unions (中華全國總工會)	National Labor Medal* (全國五一勞動獎章)	April 2017
China Building Materials Machinery Industry Association* (中國建材機械工業協會)	Outstanding Entrepreneur in Building Materials and Machinery Industry for 40 Years since China's Reform and Opening-up* (中國改革開放40年建材機械行業優秀企業家)	November 2018

Mr. Wang was a director and the legal representative of the following companies which were incorporated in the PRC and were dissolved by way of deregistration, and the relevant details are as follows:

<b>Company name</b>	<b>Date of deregistration</b>
Jiangsu Zhongpeng Energy Technology Development Co., Ltd.* (江蘇中鵬能源技術開發有限公司)	18 May 2016
Haian County Strength Machinery Co., Ltd.* (海安縣實力機械有限公司)	20 May 2016
Haian Pengfei Machinery Equipment Research Institute Co., Ltd.* (海安鵬飛機械裝備研究院有限公司)	20 May 2016

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

As confirmed by Mr. Wang, the aforementioned companies were solvent at the time when they were deregistered and he is not aware of any actual or potential claim that has been or will be made against him or these companies as a result of their respective deregistration. For further information, please refer to the paragraph headed “Disposal of or deregistration of subsidiaries and associated companies by our Group during the Track Record Period” in the section headed “History, development and Reorganisation” in the Prospectus.

As at the date of this report, Mr. Wang was interested in a total of 230,893,711 Shares, representing approximately 46.17% of the total number of Shares in issue.

### Mr. Zhou Yinbiao

Mr. Zhou Yinbiao (周銀標) (“**Mr. Zhou**”), aged 66, is an executive Director and vice-chairman of the Board. Mr. Zhou was appointed as our Director on 7 November 2018 and re-designated as our executive Director on 13 March 2019. Mr. Zhou is primarily responsible for overall management, production operation, internal management of the Group.

Mr. Zhou has more than 40 years experience in special equipment manufacturing industry. Prior to joining our Group, Mr. Zhou worked in Haian County Building Equipment Manufacturing Plant\* (海安縣建材設備製造總廠) as a workshop deputy manager from July 1978 to March 1982 and subsequently the workshop manager from April 1982 to May 1994. Mr. Zhou then joined our Group and served as the deputy plant manager from May 1994 to October 2001 and was later promoted as the deputy general manager from October 2001 to July 2002. Since August 2002, Mr. Zhou served as a director and the deputy general manager of our Group.

Mr. Zhou was awarded with the qualifications of senior economist and Mechanical Engineer by Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人力資源和社會保障廳) in November 2017 and Nantong City Department of Human Resources and Social Security\* (南通市人力資源和社會保障局) in November 2016 respectively. Mr. Zhou has also completed the advanced master of business administration training course at East China University of Science and Technology (華東理工大學) in March 2013, the international project management course at Sing-China Management Centre, Republic of Singapore in December 2009 and the building materials mechanical professional certificate training course organised by Yancheng Industrial Specialist School\* (鹽城工業專科學校) and Jiangsu Province Building Materials Industry Bureau\* (江蘇省建築材料工業局) in February 1996.

Mr. Zhou participated in the creation of “Rapidly Improve General Contracting Capacity Realize a New Leap in Internationalization Strategy”\* (《快速提升總承包能力實現國際化戰略新跨越》) and was awarded with The 16th Provincial First-Class Enterprise Management Modernization Innovation Achievement\* (第十六屆省級一等企業管理現代化創新成果) as accredited by Jiangsu Province Enterprise Management Modernization Innovation Achievements Review Committee\* (江蘇省企業管理現代化創新成果審定委員會) in January 2010. In addition, Mr. Zhou was regarded as “Eleven-Five” Building Materials Machinery Enterprise Leader\* (“十一五”建材機械企業領軍人物) by China Building Materials Machinery Industry Association\* (中國建材機械工業協會) in July 2011.

Mr. Zhou was also a member of The 19th Committee of Chinese National People’s Congress of Dagong Town\* (中國大公鎮第十九屆人民代表大會).

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou was a director and the legal representative of the following companies which were incorporated in the PRC and were dissolved by way of deregistration, and the relevant details are as follows:

<b>Company name</b>	<b>Date of deregistration</b>
Jiangsu Pengfei Grinding Equipment Co., Ltd.* (江蘇鵬飛粉磨設備有限公司) (“ <b>Jiangsu Pengfei Grinding Equipment</b> ”)	29 November 2013
Jiangsu Pengfei Logistics Co., Ltd.* (江蘇鵬飛物流有限公司)	18 May 2016

As confirmed by Mr. Zhou, the aforementioned companies were solvent at the time when they were deregistered and he is not aware of any actual or potential claim that has been or will be made against him or these companies as a result of their respective deregistration. For further information, please refer to the paragraph headed “Disposal of or deregistration of subsidiaries and associated companies by our Group during the Track Record Period” in the section headed “History, development and Reorganisation” in the Prospectus.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Mr. Ben Daolin

Mr. Ben Daolin (賁道林) (“**Mr. Ben**”), with former name Ben Daonian (賁道年), aged 60, joined our Group in February 1994, was appointed as our Director on 7 November 2018 and re-designated as our executive Director on 13 March 2019. Mr. Ben is responsible for overseeing the human resources and administrative management of the Group.

Mr. Ben has more than 30 years of experience in special equipment manufacturing industry. Prior to joining our Group, Mr. Ben worked in Haian County Building Equipment Manufacturing Plant\* (海安縣建材設備製造總廠) as a technician and quality inspector from July 1984 to July 1988 and then was promoted as the quality office manager from July 1988 to May 1994. Thereafter, Mr. Ben joined our Group and served as the office manger from May 1994 to March 2002 and has been promoted as the supervisor and secretary to the board since March 2002.

Mr. Ben has obtained a number of professional qualifications, including a first level/senior technician as accredited by The Ministry of Human Resources and Social Security, the PRC (中華人民共和國人力資源和社會保障部) in November 2012; a senior economist as accredited by Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人事廳) in December 2008, the deputy secretary of the 2nd Committee of Haian County Building Materials Machinery Business Association\* (海安縣建材機械業商會) as appointed in June 2013, a mechanical engineer as accredited by Nantong City Department of Human Resources and Social Security\* (南通市人力資源和社會保障局) in August 2015; the secretary of Haian County Building Materials Machinery Business Association\* (海安縣建材機械業商會) as appointed in October 2016; a council member of the 5th Committee of Jiangsu Province Building Materials Industry Association\* (江蘇省建材行業協會) as appointed in March 2018, and the vice president of the 8th Council of the Nantong International Economic and Technological Cooperation Association\* (南通市國際經濟技術合作協會) as appointed in March 2022.

Mr. Ben participating in editing several National Standards, including GB/T 329790-2016 “Building Materials Mechanical Product Classification and Model Compilation Method” \* 《建材機械產品分類及型號編製方法》, GB/T 35150.1-2017 “Technical Requirements for Complete Dry Process Cement Production Equipment – Part 1: Raw material preparation systems” \* 《新型乾法水泥生產成套裝備技術要求第 1 部份: 生料製備系統》, JC/T 405-2006 Conditioning tower for cement industry 《水泥工業用增濕塔》 and JC/T 406-2006 “Packing technical Conditions for cement machinery” 《水泥機械包裝技術條件》.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ben also received awards from various organisations, including the following:

Name of organisations	Award	Year of award
China Building Materials Enterprise Management Association* (中國建築材料企業管理協會)	Mr. Ben participated in the creation of "Building a performance management system with the objective of enhancing the overall competitiveness of the company"* (以提升企業綜合競爭力為目標的卓越績效管理系統建設) and was awarded with The 2021-2022 National Building Materials Enterprise Management Modernization Innovation Achievements, Second Class* (2021-2022年度全國建材企業管理現代化成果二等)	September 2022
Jiangsu Province Enterprise Management Modernization Innovation Achievements Review Committee* (江蘇省企業管理現代化創新成果審定委員會)	Mr. Ben participated in the creation of "Rapidly Improve General Contracting Capacity Realize a New Leap in Internationalization Strategy"* (快速提升總承包能力實現國際化戰略新跨越) and was awarded with The 16th Provincial First-Class Enterprise Management Modernization Innovation Achievement* (第十六屆省級一等企業管理現代化創新成果)	January 2010
China Building Materials Machinery Industry Association* (中國建材機械工業協會)	"Eleven-Five" Building Materials Machinery Enterprise Leader* ("十一五"建材機械企業領軍人物)	July 2011
Jiangsu Province Enterprise Management Modernization Innovation Achievements Review Committee* (江蘇省企業管理現代化創新成果審定委員會)	Mr. Ben participated in the creation of "Private Building Materials Enterprises Adopting "One Belt, One Road" as the Orientation of International Strategic Management"* (民營建材企業以"一帶一路"為導向的國際化戰略管理) and was awarded with The 23rd Jiangsu Province First-Class Enterprise Management Modernization Innovation Achievement* (第二十三屆省企業管理現代化創新成果一等獎)	April 2017

Mr. Ben completed Building Materials Mechanical Professional Certificate from Yancheng Industrial Institute\* (鹽城工業專科學校) in the PRC in February 1996.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ben was a director of the following companies which were incorporated in the PRC and were dissolved by way of deregistration, and the relevant details are as follows:

<b>Company name</b>	<b>Date of deregistration</b>
Jiangsu Zhongpeng Energy Technology Development Co., Ltd.* (江蘇中鵬能源技術開發有限公司)	18 May 2016
Haian County Strength Machinery Co., Ltd.* (海安縣實力機械有限公司)	20 May 2016

As confirmed by Mr. Ben, the aforementioned companies were solvent at the time when they were deregistered and he is not aware of any actual or potential claim that has been or will be made against him or these companies as a result of their respective deregistration. For further information, please refer to the paragraph headed “Disposal of or deregistration of subsidiaries and associated companies by our Group during the Track Record Period” in the section headed “History, development and Reorganisation” in the Prospectus.

### Mr. Xu Ruidong

Mr. Xu Ruidong (徐瑞東) (“**Mr.Xu**”), aged 41, is an executive Director. Mr. Xu was appointed as our Director on 18 June 2025. Mr. Xu joined the Group in September 2023 and is also the finance director of the Group. Mr. Xu is primarily responsible for overseeing the overall management, financial operations and internal administration of the Group.

Mr. Xu has over 16 years of experience in financial industry prior to joining the Group. From August 2008 to July 2013, Mr. Xu worked as a senior auditor and project manager in the Shanghai Headquarters of BDO China Shu Lun Pan Certified Public Accountants LLP\* (立信會計師事務所(特殊普通合夥)). From July 2013 to August 2023, Mr. Xu worked as the general manager of the investment banking department of the Nantong Branch of China Zheshang Bank Co., Ltd.\* (浙商銀行股份有限公司).

Mr. Xu is also a Fellow Chartered Certified Accountant (FCCA). He obtained the Master of Business Administration (MBA) from Donghua University-Carleton University in June 2018 and the Master of Professional Accountancy (MPAcc.) from the University of London in June 2022.

\* For identification purpose only

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Independent non-executive Directors

### Ms. Zhang Lanrong

Ms. Zhang Lanrong (張嵐嶸) (“**Ms. Zhang**”), with former name Zhang Lanrong (張蘭榮), aged 69, was appointed as an independent non-executive Director of the Company on 25 October 2019. She is responsible for providing independent judgment on the Group’s strategy, performance and financial operation.

Ms. Zhang has more than 13 years of experience in building materials industry. Prior to joining our Group, Ms. Zhang has worked as the chief editor of “Jiangsu Building Materials”\* (《江蘇建材》) magazine since January 2006. She was appointed as the secretary of the board of directors of China Jiangsu International Economic and Technical Cooperation Group Ltd. (中國江蘇國際經濟技術合作集團有限公司) from December 2015 to June 2017.

Ms. Zhang was previously elected as the secretary general of the 3rd committee, the vice-president of the 4th committee and the executive vice-president of the 5th Committee of the Jiangsu Province Building Materials Industry Association\* (江蘇省建材行業協會) in June 2006, April 2012 and March 2018, respectively. Ms. Zhang was regarded as National Building Materials Association Advanced Worker by China Building Materials Industry Association\* (中國建築材料工業協會) in June 2007.

Ms. Zhang was accredited by Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人力資源和社會保障廳) as a senior economist, senior international business executive and a senior political economist in November 2010, November 2011 and September 2013, respectively.

Ms. Zhang obtained a Bachelor’s degree in Economics Management from Nanjing University of Science and Technology (南京理工大學) in the PRC in July 1995 and a certificate of the master’s degree training course in Economics Management from Nanjing Agricultural University (南京農業大學) in the PRC in November 1998. She also completed a chief editor training course from Jiangsu Province Journal Association\* (江蘇省期刊協會) in October 2011.

### Mr. Ding Zaiguo

Mr. Ding Zaiguo (丁再國) (“**Mr. Ding**”), aged 62, was appointed as an independent non-executive Director of the Company on 25 October 2019. He is responsible for providing independent judgment on the Group’s strategy, performance, financial operation and legal related matters.

Mr. Ding has more than 20 years of legal experience. He is currently a qualified lawyer in the PRC as accredited by the People’s Republic of China Ministry of Justice Lawyer Qualification Review Committee\* (中華人民共和國司法部律師資格審查委員會) in August 1996. He is also accredited by Nantong City Professional Lawyers Review Committee\* (南通市律師專業評委) as a level four lawyer in July 1999 and obtained professional lawyer license from Jiangsu Province Judicial Department\* (江蘇省司法廳) in October 1997. Prior to joining the Group, Mr. Ding worked as a lawyer and a deputy manager in Jiangsu Victory Law Firm\* (江蘇維多利律師事務所) from March 1996 to May 2002. Since then, Mr. Ding has worked as the deputy manager in Jiangsu Bright Eyes Law Firm\* (formerly known as Nantong Nanhai Law Firm\* (南通南海律師事務所)) (江蘇慧眼律師事務所) and subsequently promoted as the manager in July 2017.

Mr. Ding obtained a Bachelor of Laws from Southeast University (東南大學) in the PRC in March 2005 through long distance learning course.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Mr Mak Hing Keung, Thomas (麥興強)

Mr. Mak Hing Keung, Thomas (麥興強) (“**Mr. Mak**”), aged 63, was appointed as an independent non-executive Director of the Company on 25 October 2019. He is responsible for providing independent judgement on the Group’s strategy, performance, resources and financial operations.

Mr. Mak has over 15 years experience in accounting and financial management. Mr. Mak is currently a member of the Canadian institute of Chartered Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Prior to joining our Group, Mr. Mak worked in Ernst & Young for about 7 years. From October 1997 to May 2000, Mr. Mak worked as a manager in the listing division of Stock Exchange. From June 2000 to June 2001, Mr. Mak worked as a senior manager in the corporate finance department in Vickers Ballas. From June 2001 to January 2006, Mr. Mak worked as the chief financial officer of Bison Finance Group Limited (formerly known as RoadShow Holdings Limited) (Hong Kong stock code: 888). From February 2006 to October 2007, Mr. Mak worked as the chief financial officer of MMG Limited (formerly known as Minmetals Resources Limited) (Hong Kong stock code: 1208). From October 2007 to April 2010, Mr. Mak worked as the chief financial officer of Redgate Media (Hong Kong) Limited, a wholly owned subsidiary of Redgate Media Group. From May 2010 to April 2014, Mr. Mak worked as the chief financial officer of South China Media Group. Mr. Mak was the chief financial officer and the company secretary of China Shandong Hi-Speed Financial Group Limited (former known as Heritage International Holdings Limited, (Hong Kong stock code: 412) from October 2014 to May 2015. Mr. Mak then worked as the chief operations officer of HF Financial Group Limited from May 2015 to January 2017. Mr. Mak worked as an executive director of Millennium Pacific Group Holdings Limited (Hong Kong Stock Code: 8147) from May 2015 to July 2017. Also, Mr. Mak worked as a non-executive director of Cocoon Holdings Limited (formerly known as Huge China Holdings Limited) (Hong Kong stock code: 428) from July 2015 to November 2018. Mr. Mak has worked as chief financial officer of Fortunet E-Commerce Group Limited (Hong Kong stock code: 1039) from January 2017 to January 2021. Since then, Mr. Mak has worked as chief financial officer of Ke Chuan International Holdings Limited from February 2021 to January 2022. Mr. Mak is currently the Principal of the CFO Centre (Hong Kong). Mr. Mak has also been an independent non-executive director of Tao Heung Holdings Limited (Hong Kong stock code: 573) since June 2007 and was an independent non-executive director of China Greenfresh Group Co., Ltd. (Hong Kong stock code: 6183) from May 2015 to July 2018. He also was an independent non-executive director of Global New Material International Holdings Limited (Hong Kong stock code: 6616) from December 2020 to September 2022 and has been a chief financial officer since September 2022. On 23 August 2023, Mr. Mak was appointed as an executive director of CQV Co. Ltd, a Korean company with its common shares listed on Korean KOSDAQ market (KOSDAQ: 101240).

Mr. Mak obtained a bachelor degree of commerce from Queen’s University, Canada in May 1989.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Senior Management

### Mr. Shi Pengyu

Mr. Shi Pengyu (施鹏宇) (“**Mr. Shi**”), aged 41, joined our Group on 3 March 2018, and has been the general manager assistant of Jiangsu Pengfei since then. Mr. Shi is responsible for project management. Mr. Shi is the son-in-law of Mr. Wang.

Mr. Shi has more than 4 years of experience in materials procurement and production. Prior to joining our Group, Mr. Shi worked as a project manager in the production management department of Shanghai Zhenhua Heavy Industry Nantong Gearbox Plant\* (上海振華重工南通齒輪箱廠) from June 2006 to July 2012. He worked in the materials department of Nantong Acetate Fiber Co, Ltd.\* (南通醋酸纖維有限公司) and worked in the maintenance department and materials department from August 2010 to March 2018.

He obtained a bachelor degree in electrical engineering and automation from Nanjing Normal University (南京師範大學) in the PRC in July 2008.

## Company Secretary

### Ms. Chau Hing Ling (周慶齡)

Ms. Chau Hing Ling (周慶齡) (“**Ms. Chau**”), aged 51, was appointed our company secretary on 7 November 2018.

Ms. Chau joined Vistra Corporate Services (HK) Limited since June 2013 and now serves as a director of corporate services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra Corporate Services (HK) Limited, she was an associate director of corporate services of an international corporate services provider.

Ms. Chau has over 24 years of experience in the corporate services industry. She is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange.

Ms. Chau received a master of laws degree majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute since May 2013.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2025 (the “**Reporting Period**”).

## • CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the principles and code provisions as set out in the corporate governance code (the “**CG Code**”) contained in Appendix C1 of the Listing Rules. During the Reporting Period, the Board believes that the Company has fully complied with the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with all the code provisions set out in the CG Code.

## • COMPANY’S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its purpose, vision and mission.

During the Reporting Period, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: Building into an industry flagship, creating a world-famous brand
- Mission: Manufacturing with the spirit of craftsmanship, shaping the future with quality
- Values: Forging ahead in unity, seeking harmonious development, upholding integrity and innovation, pursuing win-win cooperation

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board always ensures that the objectives, values and strategies set are consistent with the corporate culture, while all directors take the lead to act and are committed to promoting the corporate culture. For details of the Company’s achievements during the Reporting Period, please see the section headed “Management Discussion and Analysis”.

The Audit Committee considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

- **THE BOARD**

- (1) Responsibilities**

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

- (2) Directors' and Senior Management's Liability Insurance and Indemnity**

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

- (3) Board Composition**

As at the date of this annual report, the Board comprises four executive Directors and three independent non-executive Directors.

**Executive Directors**

Mr. Wang Jiaan (*Chairman*)

Mr. Zhou Yinbiao

Mr. Ben Daolin

Mr. Xu Ruidong

**Independent non-executive Directors**

Ms. Zhang Lanrong

Mr. Ding Zaiguo

Mr. Mak Hing Keung, Thomas

Mr. Wang Jiaan is the father-in-law of Mr. Shi Pengyu, a senior management of the Group.

Except as disclosed, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

During the Reporting Period, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Mak Hing Keung, Thomas has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

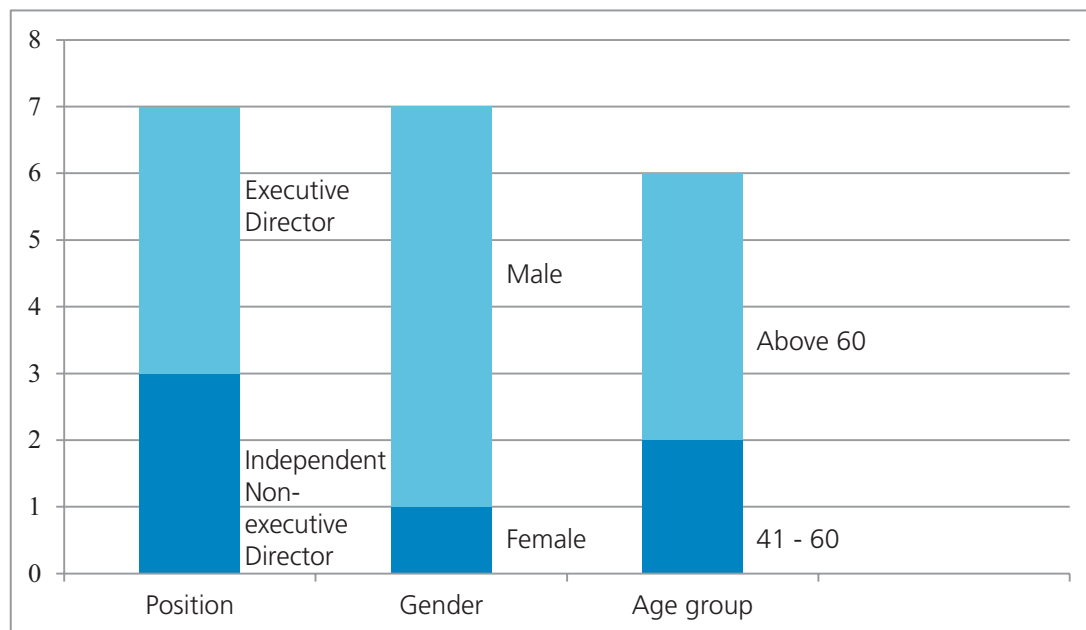
#### **(4) Board Diversity Policy**

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The board diversity policy adopted by the Board specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to professional skills, regional and industry experience, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The appointment of Directors will be based on meritocracy and potential contribution to the Board, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board.

Our Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to our Board and the senior management levels. Currently, one of our Directors is female. We recognize that the gender diversity at our Board level can be improved given that the majority of our Directors are male. As of the date of this annual report, the Company has not set a target figure and timetable for enhancing gender diversity at our Board level. We will continue to ensure gender diversity in the recruitment of middle and senior staff so that our management includes a wide range of genders, thereby allowing a diverse group of potential successors to succeed our Board in due course. As of 31 December 2025, the Group had 8 senior executives, of whom 7 were male and 1 was female. As of 31 December 2025, the Group had 995 employees of which 723 (72.7%) were male and 272 (27.3%) were female. The Board believes that the Company has achieved gender diversity among its employees and has not adopted any plan or measurable target for gender diversity as of the date of this annual report and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees.

The composition of the Board will be disclosed in the corporate governance report every year and the Nomination Committee will supervise the implementation of the board diversity policy. The Nomination Committee will review the effectiveness of such policy on an annual basis, and as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 26 to page 35 of this annual report.



During the Reporting Period, the Nomination Committee has reviewed the structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

## (5) Measurable Objectives

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. In particular, the Nomination Committee will identify and make recommendations to the Board to implement programmes that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, will prepare them for Board positions.

Set out below are the measurable objectives adopted by the Board for achieving diversity:

- at least one-third of the members of the Board shall be independent non-executive Directors;
- at least two members of the Board shall have obtained accounting, legal or other professional qualifications;
- at least 70% of the members of the Board shall have more than twenty years of experience in the industry he/she is specialised in;
- at least four members of the Board shall have work experience in equipment manufacturing or building materials industry; and
- the Board consists of a female director.

During the Reporting Period, the Nomination Committee has reviewed the measurable objectives of the Board diversity policy and considers that the Board has maintained an appropriate balance in all aspects of member diversity, and satisfy with the current situation and achieved the measurable objectives.

## (6) Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Except that Mr. Wang Jiaan (an executive Director) is the father-in-law of Mr. Shi Pengyu, a senior management of the Group, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their respective identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose, and already disclosed their commitments to the Company in a timely manner.

## (7) Induction and Continuous Professional Development

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations.

During the Reporting Period, all Directors, namely Mr. Wang Jiaan, Mr. Zhou Yinbiao, Mr. Dai Xianru (resigned on 18 June 2025), Mr. Ben Daolin, Mr. Xu Ruidong (appointed on 18 June 2025), Ms. Zhang Lanrong, Mr. Ding Zaiguo and Mr. Mak Hing Keung, Thomas, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

In compliance with the code provision C.1.4 of the CG Code and to ensure compliance and enhance their awareness of good corporate governance practices, the Directors received the following training during the Reporting Period:

	Latest Listing Rules Updates and Anti-Corruption System of Listed Companies	
	Reviewed Materials	Attended Seminars/Briefings
<b>Executive Directors:</b>		
Mr. Wang Jiaan	✓	✓
Mr. Zhou Yinbiao	✓	✓
Mr. Dai Xianru ( <i>resigned on 18 June 2025</i> )	✓	✓
Mr. Ben Daolin	✓	✓
Mr. Xu Ruidong ( <i>appointed on 18 June 2025</i> )	✓	✓
<b>Independent Non-executive Directors:</b>		
Ms. Zhang Lanrong	✓	✓
Mr. Ding Zaiguo	✓	✓
Mr. Mak Hing Keung, Thomas	✓	✓

The Directors are asked to submit a signed training record to the Company on an annual basis.

## (8) Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Wang Jiaan is the chairman of the Board. During the Reporting Period, the day-to-day management, administration and operation of the Company are delegated to all of the executive Directors. Therefore, there is no issue of the role of the chairman of the Board and the chief executive officer of the Group being performed by the same individual and leading to power being concentrated in any one individual. Each of the Board members has no financial, business, family or other material/relevant relationships with each other.

The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. As at the date of this annual report, the Board comprises four executive Directors and three independent non-executive Directors.

## (9) Appointment and Re-Election of Directors

Each of Mr. Wang Jian, Mr. Zhou Yinbiao, Mr. Dai Xianru (resigned on 18 June 2025) and Mr. Ben Daolin and Mr. Xu Ruidong (appointed on 18 June 2025), being the executive Directors, has entered into a service agreement with the Company. The initial term of the service agreements of Mr. Wang Jian, Mr. Zhou Yinbiao, Mr. Dai Xianru and Mr. Ben Daolin is three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term, and that of the service agreement of Mr. Xu Ruidong is three years commencing from the date of his appointment, both of which may be terminated in accordance with the provisions of the service agreement or by not less than three months' notice in writing served by either party on the other. Save for the amount of Directors' remuneration, particulars of the service agreements of the executive Directors are in all material respects the same.

Each of Ms. Zhang Lanrong, Mr. Ding Zaiguo and Mr. Mak Hing Keung, Thomas, being the independent non-executive Directors, has renewed his/her letter of appointment with the Company for a fixed term of one year. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors has entered into any Director's service agreement or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for election by Shareholders at the first general meeting of the Company after appointment and any new Director appointed by the Board as an addition to the existing Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and making recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman of the Board and the chief executive officer of the Company.

## (10) Board Meetings and Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Each of the Nomination Committee, the Remuneration Committee and the Investment Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to relevant Board or Board committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, apart from the regular Board Meetings, the chairman of the Board also held a meeting on 31 March 2025 with all independent non-executive Directors without the presence of other Directors.

During the Reporting Period, four board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Wang Jiaan (Chairman and Executive Director)	4/4
Mr. Zhou Yinbiao (Executive Director)	4/4
Mr. Dai Xianru (Executive Director) ( <i>resigned on 18 June 2025</i> )	0/4
Mr. Ben Daolin (Executive Director)	4/4
Mr. Xu Ruidong (Executive Director) ( <i>appointed on 18 June 2025</i> )	3/4
Ms. Zhang Lanrong (Independent Non-executive Director)	4/4
Mr. Ding Zaiguo (Independent Non-executive Director)	4/4
Mr. Mak Hing Keung, Thomas (Independent Non-executive Director)	4/4

## (11) Model Code for Securities Transactions

The Company has adopted the Model Code 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.

## (12) Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

## (13) Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and has delegated the corporate governance duties to the Audit Committee which include:

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Group;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

The Audit Committee has performed all the above corporate governance duties during the year ended 31 December 2025.

# CORPORATE GOVERNANCE REPORT

## • BOARD COMMITTEES

### (1) Nomination Committee

We established a Nomination Committee on 25 October 2019 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of Nomination Committee are available on the respective websites of the Stock Exchange and the Company. As at the date of this annual report, the Nomination Committee currently comprises four members including Mr. Wang Jiaan, an executive Director, and three independent non-executive Directors, namely Ms. Zhang Lanrong, Mr. Ding Zaiguo and Mr. Mak Hing Keung, Thomas. The majority of the Nomination Committee members are independent non-executive Directors. Mr. Wang Jiaan is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the followings:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;
- to assess the independence of independent non-executive Directors;
- to develop a policy concerning diversity of Board members, and disclose the policy or a summary of the policy in the corporate governance report.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

During the Reporting Period, one meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend</b>
Mr. Wang Jiaan (Chairman)	1/1
Ms. Zhang Lanrong	1/1
Mr. Ding Zaiguo	1/1
Mr. Mak Hing Keung, Thomas	1/1

In the meeting, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the Board diversity policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the Directors and fulfilled duties as required aforesaid.

## (2) Nomination Policy

The Nomination Committee is authorised by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive. When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity, experience and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities will be taken into consideration as a whole. In the case of independent non-executive directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to professional skills, regional and industry experience, knowledge, gender, age, cultural and educational background, ethnicity and length of service would be considered in accordance with the Board diversity policy adopted by the Board.

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

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the Shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

The nomination policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Committee will review this policy from time to time, and monitor the implementation of this policy, to ensure its effectiveness. During the Reporting Period, the Nomination Committee has reviewed the nomination policy.

## (3) Remuneration Committee

We established a Remuneration Committee on 25 October 2019 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of Remuneration Committee are available on the respective websites of the Stock Exchange and the Company. As at the date of this annual report, the Remuneration Committee currently comprises three members including Mr. Xu Ruidong, an executive Director, and two independent non-executive Directors, namely Mr. Ding Zaiguo and Ms. Zhang Lanrong. The majority of the Remuneration Committee members are independent non-executive Directors. Mr. Ding Zaiguo is the chairman of the Remuneration Committee.

The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) under Appendix C1 to the Listing Rules (i.e. make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group).

The principal duties of the Remuneration Committee include the followings:

- to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

## CORPORATE GOVERNANCE REPORT

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

During the Reporting Period, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend</b>
Mr. Ding Zaiguo (Chairman)	1/1
Mr. Dai Xianru ( <i>resigned on 18 June 2025</i> )	0/1
Mr. Xu Ruidong ( <i>appointed on 18 June 2025</i> )	N/A
Ms. Zhang Lanrong	1/1

In the meeting, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of the senior management of the Company for the year ended 31 December 2025 are set out below:

<b>Remuneration by band</b>	<b>Number of individual</b>
Nil to HK\$1,000,000	1

#### (4) Audit Committee

We established an Audit Committee on 25 October 2019 with its written terms of reference in compliance with the Listing Rules. The written terms of reference of Audit Committee are available on the respective websites of the Stock Exchange and the Company. As at the date of this annual report, the Audit Committee currently comprises three members and all are independent non-executive Directors, namely Mr. Mak Hing Keung, Thomas, Ms. Zhang Lanrong and Mr. Ding Zaiguo. Mr. Mak Hing Keung, Thomas is the chairman of the Audit Committee.

The main duties of the Audit Committee include the followings:

## **Relationship with the external auditor**

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

## **Review of the Company's financial information**

- to monitor the integrity of financial statements of the Company and the Company's annual report and accounts and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. In reviewing these reports before submission to the Board, focusing particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgemental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

in regard to the duties under paragraph above,

1. the members of the Audit Committee should liaise with the Board and senior management of the Company;
2. the Audit Committee must meet, at least twice a year, with the external auditor of the Company; and
3. the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

# CORPORATE GOVERNANCE REPORT

## **Oversight of the Company's the financial reporting system and internal control procedures**

- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management and to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial functions;
- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters set out in the CG Code in Appendix C1 of the Listing Rules;
- to consider other matters, as required by the Board, to be performed by the Audit Committee.

## **Others**

- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- to act as the key representative body for overseeing the Company's relations with the external auditor;
- where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken different view;
- to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- to perform the Company's corporate governance functions;
- to review and monitor the training and continuous professional development of directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

During the Reporting Period, two meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend</b>
Mr. Mak Hing Keung, Thomas (Chairman)	2/2
Ms. Zhang Lanrong	2/2
Mr. Ding Zaiguo	2/2

In the meeting, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

During the Reporting Period, the Audit Committee also reviewed the annual results of the Group for the year ended 31 December 2024 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit, and the interim results of the Group for the six months ended 30 June 2025.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

## (5) Investment Committee

We established an Investment Committee on 25 October 2019 with its written terms of reference which are available on the respective websites of the Stock Exchange and the Company. As at the date of this annual report, the Investment Committee currently comprises four members and all are executive Directors, namely Mr. Wang Jiaan, Mr. Zhou Yinbiao, Mr. Xu Ruidong and Mr. Ben Daolin. Mr. Xu Ruidong is the chairman of the Investment Committee.

The principal duties of the Investment Committee include the followings:

- to control, review and approve any investment or subscription of financial products and other types of investments initiated by our finance department and undertaken by the Group;
- to study and make recommendations to the Board on the major investment and financing solutions;
- to study and make recommendations to the Board on the major capital investment and assets management;
- to study and make recommendation to the Board on other significant investment matters which may have effect on the development of the Company;
- to supervise the implementation of the above-mentioned matters duly approved by the Board; and
- other matters as delegated by the Board.

Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, one meeting of the Investment Committee was held and the attendance record of the Investment Committee members is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend</b>
Mr. Dai Xianru (Chairman) ( <i>resigned on 18 June 2025</i> )	N/A
Mr. Xu Ruidong (Chairman) ( <i>appointed on 18 June 2025</i> )	1/1
Mr. Wang Jiaan	1/1
Mr. Zhou Yinbiao	1/1
Mr. Ben Daolin	1/1

In the meeting, the Investment Committee discussed the investments which has been disclosed in the Prospectus by the Company and the Group's investment planning during the Reporting Period.

## • **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2025 which give a true and fair view of the affairs of the Company and its results and cash flows.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

## • **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board acknowledges that it is its responsibility to ensure the Company establishes internal control system within the Group and to assess its effectiveness. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, connected transactions, anti-bribery and anti-corruption, legal matters, finance and auditing, as appropriate for the needs of the Company. The Company has established comprehensive risk management, primarily composed of departments specialized in auditing, finance, safety and quality, investment and legal matters and other functional management departments, through which we monitor, evaluate and manage risks related to work safety, financial matters, market development, capital management, human resources and other matters that we are exposed to in our business activities. The Company plans to review and refine its risk management system regularly, based on changes to its business. Our senior management oversees our risk management systems and reviews the results of our annual risk assessment. Our risk assessment is conducted by a number of risk management departments within the Group. These departments conduct annual risk evaluations and regular risk management and controls, and report to senior management about material findings, in a timely manner. We also run training programs for our risk management personnel each year in order to enhance their overall risk management ability and knowledge.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to manage and mitigate risks inherent in the Group's business to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board, on the basis of the target setting, identifies the risks in the process of internal control through daily and regular assessment procedures and methods, classifies the risks and prepares the Company's risk list. The Company understands its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the SFO safe harbours. Meanwhile, the Company has set up an inside information management system, the insider internal reporting obligations, reporting procedures and liability of disclosure of information of the personnel concerned has been clearly stated, and the Company shall arrange self-examination in a timely manner in accordance with the provisions of the relevant regulatory authorities. The real-time monitoring performed by the Company may involve the inside information, and should organize intermediary agencies to determine whether the information belongs to an inside information and practical, if it has fulfilled the disclosure requirements, will soon organize the disclosure and will strictly control the scope of the monitoring before the disclosure, the volatility of share price will be monitored until the disclosure of inside information is completed; if the disclosure requirements are not satisfied, the Company will also maintain strict confidentiality. The main functions of the risk management and internal control systems are to safeguard assets, to ensure proper maintenance of accounting records and provide reliable financial reporting, and to ensure compliance with relevant legislation and regulations.

The Company will review the internal control and risk management system once a year. During the Reporting Period, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards, and confirmed its effectiveness and appropriateness. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions. Based on information furnished to it and on its own observations, the Board believes that the existing internal control system is adequate and effective, in particular, from financial reporting and Listing Rules compliance perspectives.

### Anti-corruption Policy

The Board adopted an anti-bribery and anti-corruption policy (the "**Anti-corruption Policy**") on 25 October 2019. The Group is committed to achieving the highest standards of integrity and ethical behavior in conducting business. The Anti-corruption Policy form an integral part of the Group's corporate governance framework. The Anti-corruption Policy set out the measures implemented by the Group, including the responsibilities, communications, assessment of anti-bribery and anti-corruption risk and establishment of control system, reporting channel and department, investigation and reporting results to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, this Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

### Whistleblowing Policy

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") on 25 October 2019. The purpose of the Whistleblowing Policy is to (i) provide a trusted avenue for employees, vendors, customers and other stakeholders to report serious wrongdoing or concerns, particularly in relation to fraud, controls or ethics, without fear of reprisals when whistleblowing in good faith; and (ii) to ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

# CORPORATE GOVERNANCE REPORT

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee or the human resource manager of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2025 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

The Company has established an internal audit function and it is performed by the Internal Audit and Risk Department. It is responsible for conducting independent reviews of the appropriateness and effectiveness of the Company's internal control and risk management system. It also assesses the risks inherent in particular business or functional areas, including fraud or corruption, and conducts reviews or audits to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address such risks. The works of the internal audit function performed by Internal Audit and Risk Department will be reviewed by the Audit Committee and the Board annually.

## • AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended 31 December 2025 paid/payable to the external auditors were approximately RMB1.38 million.

During the year ended 31 December 2025, no non-audit service had been provided to the Group by the external auditors.

## • COMPANY SECRETARY

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau Hing Ling undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the Reporting Period.

Ms. Chau's main contact in our Company is Mr. Ben Daolin, executive Director of the Company.

## • GENERAL MEETING

During the Reporting Period, one annual general meeting of the Company was held. The attendance record of the Directors is set out in the table below:

<b>Directors</b>	<b>Attended/Eligible to attend</b>
Mr. Wang Jiaan (Chairman and Executive Director)	1/1
Mr. Zhou Yinbiao (Executive Director)	1/1
Mr. Dai Xianru (Executive Director) ( <i>resigned on 18 June 2025</i> )	0/1
Mr. Ben Daolin (Executive Director)	1/1
Mr. Xu Ruidong (Executive Director) ( <i>appointed on 18 June 2025</i> )	N/A
Ms. Zhang Lanrong (Independent Non-executive Director)	1/1
Mr. Ding Zaiguo (Independent Non-executive Director)	1/1
Mr. Mak Hing Keung, Thomas (Independent Non-executive Director)	1/1

## • COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board, the chairmen of the Board Committees will attend the annual general meeting of the Company to answer Shareholders' questions. The external auditors of the Company will also attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at <http://pengfei.com.cn/>, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. These include (i) the publication of interim and annual reports and/ or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our executive Directors with existing and potential investors. Having considered the communications and shareholders engagement in the general meeting held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2024 and is effective. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

## • SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

### (1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## (2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 of the Articles of Association are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

## (3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Benjiayi, Northern Suburb, Haian City, Jiangsu Province, the PRC

Attention: Mr. Ben Daolin

Tel: +86-513-88758898

Fax: +86-513-88755315

Enquiries will be dealt with in a timely and informative manner.

## • DIVIDEND POLICY

The Group is committed to sharing its development and achievements with Shareholders through proactive, stable and sustainable dividend policy. The declaration, payment and amount of dividends in respect of any particular financial year will be subject to the discretion of our Board, taking into consideration factors including results of operations, cash flows and financial position of the Group, statutory and regulatory restrictions on the dividends paid by the Group, future prospects and other factors which the Board consider relevant. The Group expects to pay a dividend of no less than 30% of the profit after tax upon Listing each year. The proposed payment of dividends is also subject to the approval of our Shareholders. The Board will review the dividend policy on an annual basis.

## • CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from 6 June 2024, and are available on the respective websites of the Stock Exchange and the Company.

There is no other change in constitutional documents of the Company during the Reporting Period.

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF CHINA PENGFEI GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

### Opinion

We have audited the consolidated financial statements of China PengFei Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 59 to 125, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment losses on trade receivables and contract assets

As at 31 December 2025, the Group's carrying amount of trade receivables and contract assets amounted to RMB227,136,000 and RMB64,081,000, net of impairment loss allowance for trade receivables and contract assets amounting to RMB70,088,000 and RMB3,424,000 as respectively disclosed in notes 21 and 17 to the consolidated financial statements, represented 9.28% and 2.62% of the total assets of the Group, respectively.

As disclosed in notes 3, 4 and 35, the Group measures impairment loss allowance on trade receivables and contract assets based on lifetime expected credit losses (the "ECL"). The ECL on trade receivables and contract assets are assessed on an individual basis for customers with (1) high credit risk or (2) significant balances with different credit period and the remaining is assessed collectively using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtors. For collective assessment of the ECL for trade receivables, the Group takes into consideration the aging status of the trade receivables when formulating the grouping.

We identified the impairment losses on trade receivables and contract assets as a key audit matter since (i) the measurement of impairment of trade receivables and contract assets is a significant accounting estimate, (ii) the identification and evaluation of trade receivables and contract assets which required to be assessed individually, and the grouping of remaining balances collectively into different categories using a provision matrix involved significant estimation uncertainties and required significant judgements from the management; and (iii) the balance of trade receivables and contract assets is significant to the consolidated financial statements.

Our procedures in relation to the impairment losses on trade receivables and contract assets included:

- Evaluating the model used by management in determining the impairment losses on trade receivables and contract assets;
- Checking whether the management's identification of individually assessed trade receivables and contract assets, and the grouping of remaining balances collectively into different categories using a provision matrix, is in line with the policy of the Group;
- Testing the completeness and accuracy of trade receivables' aged analysis as at 31 December 2025 by 1) agreeing the total balance of trade receivables included in the aged analysis to the general ledger; and 2) comparing individual items in the aged analysis with the relevant supporting documents, including the sale agreements and/or other supporting documents, on a sampling basis and carrying out corroborative enquiry with the management and analysing the basis in determining the weighted average loss rates applied in each category in the provision matrix, by recalculating the historical observed default rates; and
- Carrying out corroborative enquiry with the management and analysing the basis in determining the credit rating for and the corresponding ECL loss rates applied to each debtor assessed individually. For those with securities and guarantee obtained, analysing the management's approach on the estimation of fair value of these securities and guarantee in deriving the loss given default amount.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITOR'S REPORT

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip, Tin Hang, Michael.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

31 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Year ended 31 December	
		2025	2024
		RMB'000	RMB'000
Revenue	5	<b>1,432,991</b>	1,258,876
Cost of sales and services		<b>(1,131,638)</b>	(1,008,932)
Gross profit		<b>301,353</b>	249,944
Other income	6	<b>42,889</b>	30,371
Other gains and losses	7	<b>(7,589)</b>	6,738
Selling and distribution expenses		<b>(101,445)</b>	(89,385)
Administrative expenses		<b>(65,935)</b>	(61,669)
Research expenditure	9	<b>(50,035)</b>	(51,399)
Impairment losses under expected credit loss model, net of reversal	9	<b>7,220</b>	1,862
Finance costs	8	<b>(25)</b>	(501)
Profit before tax	9	<b>126,433</b>	85,961
Income tax expense	10	<b>(24,535)</b>	(15,226)
Profit and total comprehensive income for the year		<b>101,898</b>	70,735
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		<b>100,935</b>	67,279
– Non-controlling interests		<b>963</b>	3,456
		<b>101,898</b>	70,735
Earnings per share	13		
– Basic (RMB cents)		<b>20.19</b>	13.46
– Diluted (RMB cents)		<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	As at 31 December	
		2025	2024
		RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Trade receivables	21	–	93,645
Term deposits	24	150,000	60,000
Property, plant and equipment	14	339,232	363,228
Investment properties	15	6,433	7,479
Intangible assets		1,438	231
Right-of-use assets	16	43,365	44,258
Contract costs	18	19,170	–
Deferred tax assets	19	22,626	25,805
Deposits paid for acquisition of property, plant and equipment		–	4,190
		<b>582,264</b>	<b>598,836</b>
<b>CURRENT ASSETS</b>			
Inventories	20	534,460	728,620
Trade, bills and other receivables	21	339,698	383,809
Contract assets	17	64,081	41,727
Contract costs	18	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")	23	25,587	109,318
Term deposits	24	126,000	98,000
Restricted bank deposits	24	58,396	121,782
Bank balances and cash	24	636,154	506,443
		<b>1,864,765</b>	<b>2,101,522</b>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	25	535,691	628,042
Contract liabilities	26	806,009	1,051,915
Tax payable		26,176	28,383
Bank borrowings	27	700	200
Deferred income	29	4,643	2,659
		<b>1,373,219</b>	<b>1,711,199</b>
<b>NET CURRENT ASSETS</b>		<b>491,546</b>	<b>390,323</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,073,810</b>	<b>989,159</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

		<u>As at 31 December</u>	
	Notes	<u>2025</u>	<u>2024</u>
		<u>RMB'000</u>	<u>RMB'000</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	25	19,170	–
Deferred income	29	30,520	46,445
Deferred tax liabilities	19	7,579	6,499
		<u>57,269</u>	<u>52,944</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	28	4,504	4,504
Share premium		10,582	30,767
Reserves		999,820	898,885
Equity attributable to owners of the Company		<u>1,014,906</u>	934,156
Non-controlling interests		1,635	2,059
<b>TOTAL EQUITY</b>		<u>1,016,541</u>	<u>936,215</u>
		<u>1,073,810</u>	<u>989,159</u>

The consolidated financial statements on pages 59 to 125 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

**Mr. Wang Jiaan**  
DIRECTOR

**Mr. Xu Ruidong**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital surplus reserve	Other reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000	RMB'000	RMB'000		
At 1 January 2024	4,504	73,617	183,015	2,252	646,339	909,727	384	910,111
Profit and total comprehensive income for the year	-	-	-	-	67,279	67,279	3,456	70,735
Transferred to capital surplus reserve	-	-	6,202	-	(6,202)	-	-	-
Dividend recognised as distribution (note 12)	-	(42,850)	-	-	-	(42,850)	-	(42,850)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,781)	(1,781)
At 31 December 2024	4,504	30,767	189,217	2,252	707,416	934,156	2,059	936,215
Profit and total comprehensive income for the year	-	-	-	-	100,935	100,935	963	101,898
Transferred to capital surplus reserve	-	-	10,571	-	(10,571)	-	-	-
Dividend recognised as distribution (note 12)	-	(20,185)	-	-	-	(20,185)	-	(20,185)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,387)	(1,387)
At 31 December 2025	<u>4,504</u>	<u>10,582</u>	<u>199,788</u>	<u>2,252</u>	<u>797,780</u>	<u>1,014,906</u>	<u>1,635</u>	<u>1,016,541</u>

Note:

- a: In accordance with the articles of association of the subsidiaries established in the People's Republic of China ("the PRC"), the subsidiaries are required to transfer at least 10% of their profit after tax in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC before any distribution of dividends to owner each year to capital surplus reserve until the reserve reaches 50% of their respective registered capital. The capital surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	126,433	85,961
Adjustments for:		
Finance costs	25	501
Bank interest income	(17,526)	(13,393)
Interest income from an independent third party	(27)	(83)
Investment gain on financial assets at FVTPL	(701)	(2,528)
Depreciation of property, plant and equipment	5,993	6,305
Depreciation of investment properties	1,046	1,059
Amortisation of intangible assets	31	15
Depreciation of right-of-use assets	150	163
Amortisation of contract costs	8,864	5,982
Loss on disposal of property, plant and equipment	5	477
Impairment losses under expected credit loss model, net of reversal	(7,220)	(1,862)
Net foreign exchange gain	3,001	(973)
<b>Operating cash flows before movements in working capital</b>	<b>120,074</b>	<b>81,624</b>
Decrease in inventories	224,768	44,138
Decrease (increase) in trade, bills and other receivables	150,718	(12,153)
(Increase) decrease in contract assets	(21,083)	38,928
Increase in contract costs	(44,674)	(10,769)
Decrease (increase) in value-added tax recoverable	4,276	(5,376)
Decrease (increase) in prepayments to suppliers	43,798	(2,424)
(Decrease) increase in trade, bills and other payables	(73,147)	68,298
(Decrease) increase in contract liabilities	(245,906)	213,557
Decrease in deferred income	(13,941)	(2,659)
<b>Cash generated from operations</b>	<b>144,883</b>	<b>413,164</b>
Income Tax paid	(22,483)	(26,136)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>122,400</b>	<b>387,028</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of property, plant and equipment	11	21
Placement of term deposits	(432,000)	(109,000)
Withdrawal of term deposits	354,000	68,519
Placement of restricted bank deposits	(121,835)	(189,643)
Withdrawal of restricted bank deposits	185,221	119,691
Deposits paid for property, plant and equipment	(7,536)	(8,361)
Purchase of intangible assets	(1,390)	(52)
Bank interest received	11,405	12,136
Interest income from an independent third party	27	83
Purchase of financial assets at FVTPL	(25,290)	(238,833)
Disposal of financial assets at FVTPL	109,722	234,945
<b>NET CASH FROM (USED IN) FROM INVESTING ACTIVITIES</b>	<b>72,335</b>	<b>(110,494)</b>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	700	1,100
Repayment of bank borrowings	(200)	(56,196)
Interest paid	(15)	(504)
Repayments of lease liabilities	(19)	(16)
Dividend paid to owners of the company	(20,185)	(42,850)
Dividend paid to non-controlling interests	(1,387)	(1,781)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(21,106)</b>	<b>(100,247)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>173,629</b>	<b>176,287</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>555,443</b>	<b>378,902</b>
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(3,918)	254
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY</b>	<b>725,154</b>	<b>555,443</b>
Bank balances and cash	636,154	506,443
Term deposits with original maturity of no more than three months (note 24)	89,000	49,000
	<b>725,154</b>	<b>555,443</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 1. GENERAL INFORMATION

China PengFei Group Limited (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 “Listing”). 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 Benjiaji, Northern Suburb, Haian City, Jiangsu Province, the PRC, respectively. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are production and sale of complete sets of equipment (including rotary kilns system, grinding equipment system and their related parts and components), 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
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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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

### 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	Annual Improvements to IFRS Accounting Standards — Volume 11 <sup>2</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <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 the new IFRS Accounting Standard mentioned below, 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 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the title of which will be changed to Basis of Preparation of Financial Statements upon effective of IFRS 18) and IFRS 7 Financial Instruments: Disclosures. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

### 3.2 Material accounting policy information

#### **Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Basis of consolidation** (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### **Revenue from contracts with customers**

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5, 17, 18 and 26.

#### **Employee benefits**

##### ***Retirement benefit costs***

Payments to government managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

##### ***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary difference.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress/assets under installation as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress/assets under installation less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Investment properties

Investment properties are properties held to earn rentals .

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### **Intangible assets**

##### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group's intangible assets represent software with estimated useful life of 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

##### ***Internally-generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

#### **Impairment on property, plant and equipment, right-of-use assets, intangible assets and contract costs**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Impairment on property, plant and equipment, right-of-use assets, intangible assets and contract costs** (continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents presented on the consolidated statement of financial position include: cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs, which comprises all costs of purchases and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Costs of raw materials are determined on a weighted average method and costs of work-in-progress and finished goods are determined on a specific identification basis based on the actual costs specific to each processing order incurred. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

#### **Warranties**

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

### 3.2 Material accounting policy information *(continued)*

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair values through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Financial assets**

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group hold are subsequently measured at FVTPL.

#### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

#### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other item subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, bills and other receivables, term deposits, restricted bank deposits and bank balances) and contract assets which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and the current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed on an individual basis for customers with (1) high credit risk or (2) significant balances with different credit period and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the impairment loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

#### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a deregistration event. Any subsequent recoveries are recognised in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on certain trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL for trade, bills and other receivables, contract assets (except for trade receivables and contract assets from customers with (1) high credit risk or (2) significant balances with different credit period), restricted bank deposits and bank balances are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### **Financial assets** (continued)

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Exchange differences for financial assets measured at amortised cost are recognised in profit or loss in the “other gains and losses” line item note 7 as part of the net foreign exchange gain (loss).

##### Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets’ original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Financial instruments (continued)

##### *Financial liabilities or equity*

##### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

##### Financial liabilities

All financial liabilities the Group hold are subsequently measured at amortised cost using the effective interest method.

##### Financial liabilities at amortised cost

Financial liabilities, including trade, bills and other payables and bank borrowings, are subsequently measured at amortised cost using the effective interest method.

##### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss note 7 as part of net foreign exchange gain (loss).

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line on the consolidated statement of financial position.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Leases (continued)

##### *The Group as a lessee* (continued)

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability represent the fixed payments of the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group presented the lease liabilities in “trade, bills and other payables” in note 25.

##### The Group as lessor

##### *Classification and measurement of leases*

All leases of the Group are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

##### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income” in note 6.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these consolidated financial statements.

#### Price allocation for multiple performance obligations

Certain of the Group's sale of equipment contracts includes the provision of installation services to customers. For contracts that contain more than one performance obligations, 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. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The management of the Group exercises judgement in determining the price allocation basis between the performance obligations of sale of equipment and installation service. In particular, 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.

#### Principal versus agent for revenue recognition on installation service

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. Having considered the costs and benefits in performing the installation service, the Group had subcontracted the installation service to independent third parties. Significant judgement is made by the management of the Group in determining whether the Group is acting as a principal or agent in its performance of the installation service.

During the year ended 31 December 2025, the Group has recognised revenue amounting to RMB28,891,000 (2024: RMB25,548,000) from the rendering of installation service.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(continued)

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

#### Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with (1) high credit risk or (2) significant balances with different credit period, are assessed for ECL individually, and the remaining is estimated collectively by using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 35.

#### Deferred tax assets

As at 31 December 2025, deferred tax assets of RMB22,626,000 (2024: RMB25,805,000) in relation to deductible temporary differences of accrued expenses and impairment loss allowance on trade and other receivables and contract assets have been recognised by the Group as disclosed in note 19. No deferred tax asset has been recognised in relation to such deductible temporary differences of RMB6,079,000 (2024: RMB6,766,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates and inflation, may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. 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.

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### 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 constitution 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 services

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 services 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 services 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### 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	–
	<b>997,139</b>	<b>212,363</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### 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	2024
	RMB'000	RMB'000
Mainland China	1,017,999	936,516
Outside Mainland China		
Including: Ghana	84,725	–
Turkey	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
	<u>1,432,991</u>	<u>1,258,876</u>

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 6. OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Bank interest income	17,526	13,393
Government grants (note)	22,499	14,573
Rental income	2,323	1,958
Interest income from an independent third party	27	83
Others	514	364
	<u>42,889</u>	<u>30,371</u>

Note: The amount represents unconditional government grants received from local government in connection with the enterprise development support and innovation capability incentives and the recognition of "deferred income" as disclosed in note 29.

## 7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Investment gain on financial assets at FVTPL	701	2,528
Net foreign exchange (loss) gain	(5,214)	4,701
Loss on disposal of property, plant and equipment	(5)	(477)
Others	(3,071)	(14)
	<u>(7,589)</u>	<u>6,738</u>

## 8. FINANCE COSTS

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Interest expense of lease liabilities	10	3
Interest on bank borrowings	15	498
	<u>25</u>	<u>501</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 9. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
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
	<b>37,828</b>	37,222
Capitalised in inventories	<b>(30,608)</b>	(29,681)
Total depreciation and amortisation charged to profit or loss	<b>7,220</b>	7,541
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
	<b>7,220</b>	7,541
Auditors' remuneration	1,380	1,380
Cost of inventories recognised as cost of sales	1,058,121	928,383
Directors' remuneration (note 11)	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
	<b>127,304</b>	123,147

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 9. PROFIT BEFORE TAX (continued)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 10. 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 (note 19)	3,098	2,081
Deferred tax credit (note 19)	3,179	(390)
	<b>24,535</b>	<b>15,226</b>

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 2024, 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	126,433	85,961
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
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	380	1,123
Income tax expense	<b>24,535</b>	<b>15,226</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (A) Directors' and the chief executive's emoluments

Details of the emoluments paid to the individuals who were appointed as the directors and Chief Executive Officer of the Company for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary performance related bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
Year ended 31 December 2025					
Executive directors					
Mr. Wang	-	382	-	138	520
Dai Xianru ( <i>note i</i> )	-	61	-	-	61
Xu Ruidong ( <i>note ii</i> )	-	175	18	128	321
Zhou Yinbiao	-	367	-	128	495
Ben Daolin	-	363	11	134	508
Independent non-executive directors					
Zhang Lanrong	72	-	-	-	72
Ding Zaiguo	72	-	-	-	72
Mak Hing Keung, Thomas	163	-	-	-	163
	<u>307</u>	<u>1,348</u>	<u>29</u>	<u>528</u>	<u>2,212</u>

Notes:

- i: Mr. Dai Xianru resigned as the executive director of the Company on 18 June, 2025.
- ii: Mr. Xu Ruidong was appointed as the executive director of the Company on 18 June, 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

### (A) Directors' and the chief executive's emoluments (continued)

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary performance related bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
Year ended 31 December 2024					
Executive directors					
Mr. Wang	–	380	–	138	518
Dai Xianru	–	123	–	–	123
Zhou Yinbiao	–	337	–	128	465
Ben Daolin	–	321	28	139	488
Independent non-executive directors					
Zhang Lanrong	72	–	–	–	72
Ding Zaiguo	72	–	–	–	72
Mak Hing Keung, Thomas	167	–	–	–	167
	<u>311</u>	<u>1,161</u>	<u>28</u>	<u>405</u>	<u>1,905</u>

Note: Discretionary performance related bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

### (B) Five highest paid employees

The five highest paid employees of the Group include 4 (2024: 3) directors of the Company for the current year. The emoluments of the remaining 1 (2024: 2) for the current year are as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries and other benefits	431	780
Retirement benefit scheme contributions	33	49
	<u>464</u>	<u>829</u>

The emoluments of the five highest paid employees were within the following band:

	Year ended 31 December	
	2025	2024
HK\$1 to HK\$1,000,000	<u>5</u>	<u>5</u>

During the years ended 31 December 2024 and 2025, no emoluments were paid by the Group to any of the directors and Chief Executive Officer of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 12. DIVIDEND

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
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 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.

## 13. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 14. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress/ assets under installation</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>						
At 1 January 2024	394,859	401,388	10,788	17,151	539	824,725
Additions	–	53	226	1,020	16,069	17,368
Transfers	–	16,148	–	–	(16,148)	–
Disposals	(1,843)	(4,808)	–	(704)	–	(7,355)
At 31 December 2024	<b>393,016</b>	<b>412,781</b>	<b>11,014</b>	<b>17,467</b>	<b>460</b>	<b>834,738</b>
Additions	–	19	611	–	11,096	11,726
Transfers	–	11,556	–	–	(11,556)	–
Disposals	–	–	(85)	(255)	–	(340)
At 31 December 2025	<b>393,016</b>	<b>424,356</b>	<b>11,540</b>	<b>17,212</b>	<b>–</b>	<b>846,124</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2024	160,107	258,742	9,755	14,375	–	442,979
Provided for the year	18,232	14,847	754	1,340	–	35,173
Eliminated on disposals	(1,405)	(4,568)	–	(669)	–	(6,642)
At 31 December 2024	<b>176,934</b>	<b>269,021</b>	<b>10,509</b>	<b>15,046</b>	<b>–</b>	<b>471,510</b>
Provided for the year	17,676	16,262	614	1,154	–	35,706
Eliminated On disposals	–	–	(82)	(242)	–	(324)
At 31 December 2025	<b>194,610</b>	<b>285,283</b>	<b>11,041</b>	<b>15,958</b>	<b>–</b>	<b>506,892</b>
<b>CARRYING VALUE</b>						
At 31 December 2024	<b>216,082</b>	<b>143,760</b>	<b>505</b>	<b>2,421</b>	<b>460</b>	<b>363,228</b>
At 31 December 2025	<b>198,406</b>	<b>139,073</b>	<b>499</b>	<b>1,254</b>	<b>–</b>	<b>339,232</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress/assets under installation, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	<u>Useful lives</u>	<u>Estimated residual values</u>
Buildings	20 years	5%
Plant and machinery	10 to 20 years	5%
Office equipment	3 to 5 years	0~5%
Motor vehicles	4 years	5%

## 15. INVESTMENT PROPERTIES

	<u>Buildings</u>
	<u>RMB'000</u>
<b>COST</b>	
At 1 January 2024, and 31 December 2024 and 2025	32,280
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2024	23,742
Provided for the year	1,059
At 31 December 2024	<b>24,801</b>
Provided for the year	1,046
At 31 December 2025	<b>25,847</b>
<b>CARRYING VALUE</b>	
At 31 December 2024	7,479
At 31 December 2025	<b>6,433</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 15. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at 31 December 2025 was RMB44,924,000 (2024: RMB46,373,000). The fair value has been valued by the Directors with reference to a valuation carried out by a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar investment properties. The fair value is determined based on the income capitalisation approach by taking into account the rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in which the investment properties are located (i.e. Haian City, Jiangsu Province, the PRC) and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	<u>Fair value</u>	
	<u>Level 3</u>	<u>As at 31 December 2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Commercial properties located in Haian City, Jiangsu Province, the PRC	<u>44,924</u>	<u>44,924</u>

	<u>Fair value</u>	
	<u>Level 3</u>	<u>As at 31 December 2024</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Commercial properties located in Haian City, Jiangsu Province, the PRC	<u>46,373</u>	<u>46,373</u>

The above investment properties are depreciated on a straight-line basis over the following estimated useful life after taking into account their estimated residual value:

	<u>Useful life</u>	<u>Estimated residual value</u>
Buildings	<u>20 years</u>	<u>5%</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 16. RIGHT-OF-USE ASSETS

	<u>Leasehold lands</u>
	RMB'000
<b>COST</b>	
At 1 January 2024	54,027
Addition	267
Disposals	(134)
	<hr/>
At 31 December 2024 and December 2025	54,160
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2024	9,129
Provided for the year	907
Disposals	(134)
	<hr/>
At 31 December 2024	<b>9,902</b>
Provided for the year	893
	<hr/>
At 31 December 2025	<b>10,795</b>
<b>CARRYING VALUE</b>	
At 31 December 2024	44,258
	<hr/> <hr/>
At 31 December 2025	<b>43,365</b>
	<hr/> <hr/>

	<u>Year ended 31 December</u>	
	<u>2025</u>	<u>2024</u>
	RMB'000	RMB'000
Expense relating to short-term lease	<b>270</b>	211
	<hr/> <hr/>	<hr/> <hr/>

For both years, the Group leases lands from independent third parties for its operations. Lease contract is entered into for fixed term of 10 years. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group has made lump sum payments upfront to government for leasehold lands. The Group has obtained the land use right certificates for all such leasehold lands except for leasehold lands with carrying amount of RMB10,334,000 (2024: RMB10,334,000) in which the Group is in the process of obtaining.

No additional amount of lease liabilities and right-of-use assets are recognised during reporting period (2024: lease liabilities of RMB264,000 and related right-of-use assets of RMB265,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2025, total cash outflow for leases amounted to RMB289,000 (2024: RMB227,000).

As at 31 December 2025, the Group did not enter into any leases that have not yet commenced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 17. CONTRACT ASSETS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Sale of equipment	58,572	36,781
Installation service	8,933	9,641
	67,505	46,422
Less: Impairment loss allowance for contract assets	(3,424)	(4,695)
	<u>64,081</u>	<u>41,727</u>

As at 1 January 2024, contract assets amounted to RMB74,472,000.

The contract assets primarily relate to the Group's right to billing for work completed and not billed because the rights are conditional upon specified payment milestones at the end of each reporting period. 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.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle.

### Movement of impairment loss allowance on contract assets

	RMB'000
At 1 January 2024	10,878
Impairment loss allowance recognised	4,129
Impairment loss allowance reversed	(10,312)
At 31 December 2024	<u>4,695</u>
Impairment loss allowance recognised	2,881
Impairment loss allowance reversed	(4,152)
At 31 December 2025	<u><u>3,424</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 18. CONTRACT COSTS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Commission fees	52,925	17,115
Analysed as:		
Current	33,755	17,115
Non-current	19,170	–
	52,925	17,115

Incremental costs to obtain contracts included in contract costs relate to commission fees paid or payable to employees and independent third-party service providers as part of their salaries and other benefits as a result of obtaining contracts.

For contract costs in relation to the sale of equipment, they are charged to profit or loss when the equipment is accepted by the customers and control passes to the customers. For contract costs in relation to provision of installation services/construction of production line, they are amortised on the same basis of revenue recognised for installation services/construction of production line as this reflects the period over which the goods or services are transferred to the customers. For the year ended 31 December 2025, amortisation amounting to RMB8,864,000 (2024: RMB5,982,000) was recognised as selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income. There was no impairment loss in relation to the costs capitalised.

## 19. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Deferred tax assets	22,626	25,805
Deferred tax liabilities	(7,579)	(6,499)
	15,047	19,306

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 19. DEFERRED TAXATION (continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the year:

	Distributable earnings of PRC subsidiaries	Accrued expenses	Impairment loss allowance on trade and other receivables and contract assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	(4,418)	8,833	16,582	20,997
(Charge) credit to profit or loss	(2,081)	554	(164)	(1,691)
At 31 December 2024	(6,499)	9,387	16,418	19,306
Charge to profit or loss	(3,098)	(733)	(2,446)	(6,277)
Withholding tax paid	2,018	–	–	2,018
At 31 December 2025	<b>(7,579)</b>	<b>8,654</b>	<b>13,972</b>	<b>15,047</b>

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted at the end of the reporting period.

As at 31 December 2024 and 2025, the Group had no unused tax losses available to offset against future profits.

As at 31 December 2025, the Group had deductible temporary differences of RMB156,918,000 (2024: RMB178,800,000) available to offset against future profits. Deferred tax assets have been recognised in respect of deductible temporary differences of RMB150,839,000 as of 31 December 2025 (2024: RMB172,034,000). No deferred tax assets have been recognised in relation to the remaining deductible temporary differences of RMB6,079,000 (2024: RMB6,766,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2025, deferred tax liability has been provided in respect of RMB7,579,000 (2024: RMB6,499,000) undistributed earnings of the Group's PRC subsidiaries. Deferred taxation has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

As at 31 December 2025, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which deferred tax liability has not been provided for were approximately RMB759,152,000 (2024: RMB706,536,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 20. INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Raw materials	117,536	141,127
Work-in-progress	416,924	587,493
	<b>534,460</b>	<b>728,620</b>

No inventories are expected to be recovered after more than 12 months as at 31 December 2024 and 2025. No allowance for inventory provision was provided during the years ended 31 December 2024 and 2025.

## 21. TRADE, BILLS AND OTHER RECEIVABLES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 21. TRADE, BILLS AND OTHER RECEIVABLES (continued)

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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 21. TRADE, BILLS AND OTHER RECEIVABLES (continued)

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

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

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 year.

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

As at 31 December 2024 and 2025, no bills 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:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 21. TRADE, BILLS AND OTHER RECEIVABLES (continued)

### Movements of impairment loss allowance on trade and other receivables (continued)

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)
At 31 December 2024	<b>940</b>
Impairment loss allowance recognised	227
Impairment loss allowance reversed	(374)
At 31 December 2025	<b>793</b>

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

## 22. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2025, the Group has transferred bills receivables amounting to RMB99,140,000 (2024: RMB169,196,000) to its suppliers to settle its payables of the same amount through endorsing the bills with full recourse basis. The Group has not derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the management of the Group, the Group has not transferred substantially all the risks and rewards of ownership of these receivables and has not discharged its obligation of the payables to its suppliers.

During the year, the Group issued certain bills payables to settle the Group's trade payables to the suppliers, and the Group's issued bills to suppliers may be eventually received by the Group. As at 31 December 2025, such bills kept by the Group amounted to nil (2024: RMB7,000). In this circumstance, in respect of such bills held by the Group which were originally issued by the Group, the Group had no right to receive and no obligation to pay as such bills were not presented to the bank. Accordingly, no such bill receivables and bill payables were recognised at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 23. FINANCIAL ASSETS AT FVTPL

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Structured deposits ( <i>note a</i> )	–	100,802
Investment in a fund ( <i>note b</i> )	25,587	8,516
	<b>25,587</b>	<b>109,318</b>

The gains from financial assets at FVTPL are recognised as “investment gain on financial assets at FVTPL” included in “other gains and losses” in note 7.

Notes:

- As at 31 December 2024, the Group’s subscription of two structured deposits issued by commercial banks in the PRC, which were purchased during the year ended 31 December 2024 matured in February 2025.
- As at 31 December 2024 and 2025, the balance represents the Group’s subscription of a fund issued by an independent wealth management company incorporated in Hong Kong. The management of the Group hold the investment in such fund for trading purpose.

## 24. TERM DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Term deposits as at 31 December 2024 and 2025 represented bank deposits with original maturity ranging from 3 months to 3 years.

The Group’s restricted bank deposits were deposited to banks for the issue of bills payables and letter of credit of the Group and are therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bills payables and letter of credit.

Bank balances, term deposits and restricted bank deposits carry interest at market rates ranging from 0.005% to 2.20% (2024: 0.005% to 2.20%) per annum as at 31 December 2025.

The Group’s term deposits, bank balances and cash and restricted bank deposits that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Analysis of term deposits, bank balances and cash and restricted bank deposits by currency:		
Denominated in Hong Kong dollar (“HKD”)	10,835	7,956
Denominated in USD	196,537	138,335
Denominated in GBP	758	–
Denominated in EUR	–	9,592

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 25. 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 (note i)	994	1,019
Accrued expense	1,691	3,306
Accrued payroll and welfare	19,506	20,987
Commission fees payables (note ii)	75,806	39,888
Lease liabilities (note iii)	255	264
Other payables	7,929	3,192
	<b>554,861</b>	<b>628,042</b>
Analysed as:		
Current	535,691	628,042
Non-current (note ii)	19,170	–
	<b>554,861</b>	<b>628,042</b>

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) (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 a 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 Haian 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 25. TRADE, BILLS AND OTHER PAYABLES (continued)

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

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

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

Age	As at 31 December	
	2025	2024
	RMB'000	RMB'000
0 to 180 days	89,298	142,965

## 26. CONTRACT LIABILITIES

	As at 31 December		As at 1 January
	2025	2024	2024
	RMB'000	RMB'000	RMB'000
Amounts received in advance in respect of			
– Sale of equipment (note i)	594,720	857,908	752,695
– Construction of production line (note ii)	211,289	194,007	85,663
	<b>806,009</b>	<b>1,051,915</b>	<b>838,358</b>

Contract liabilities that were expected to be settled within the Group's normal operating cycle are classified as current liabilities.

Notes:

- (i) For sale of equipment, revenue is recognised when control of the equipment has transferred to the customer, being at the point the equipment is accepted by the customer.
- (ii) These are balances due to customers under construction of production line contracts. These arise if a particular milestone payment received exceeds the revenue recognised by the Group at the end of each reporting year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. CONTRACT LIABILITIES (continued)

Revenue recognised that was included in the balance of contract liabilities at the beginning of the year.

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Sale of equipment	416,055	432,421
Construction of production line	101,209	85,663
	<u>517,264</u>	<u>518,084</u>

There were no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

## 27. BANK BORROWINGS

The bank borrowings as at 31 December 2024 and 2025 are unsecured and unguaranteed bank loans and repayable within one year.

The exposure of the Group's borrowings are as follows:

	Maturity date	Effective interest rate	Carry amount	
			31/12/2025	31/12/2024
			RMB'000	RMB'000
Fixed-rate borrowings:				
RMB100,000 (note)	26/02/2025	3.2%	–	100
RMB100,000 (note)	18/09/2025	2.9%	–	100
RMB200,000	10/02/2026	3.0%	200	–
RMB500,000	18/09/2026	2.6%	500	–

Note: These bank borrowings were fully repaid during the current year.

## 28. SHARE CAPITAL

	Par value	Number of shares	Amount
		'000	'000
<b>Authorised:</b>			
On 1 January 2024 and 31 December 2024 and 2025	HK\$0.01	10,000,000	HK\$100,000
<b>Issued:</b>			
On 1 January 2024 and 31 December 2024 and 2025	HK\$0.01	500,000	HK\$5,000
Presented in RMB'000			<u>RMB4,504</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 29. DEFERRED INCOME

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Government grants relating to construction of new plant and machinery ( <i>note</i> )	35,163	49,104
Less: Current portion	(4,643)	(2,659)
	<u>30,520</u>	<u>46,445</u>

Note: The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance was recognised in profit or loss in the period in which they become unconditional or amortised based on the useful lives of respective property, plant and equipment. RMB13,940,000 (2024: RMB2,659,000) was released to profit or loss and recorded in other income in the current reporting year.

## 30. OPERATING LEASE

### The Group as lessor

At the end of each reporting year, the undiscounted lease payments in respect of the Group's rental income to be received and the expected timing of receipt are as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within 1 year	1,059	1,359
1 to 2 years	915	1,129
2 to 3 years	897	1,003
3 to 4 years	897	897
4 to 5 years	897	897
Over 5 years	5,654	6,550
	<u>10,319</u>	<u>11,835</u>

## 31. PLEDGE OF ASSETS

Save as disclosed elsewhere in these consolidated financial statements, the following assets have been pledged to various banks for the issue of bills payables at the end of each reporting year:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Restricted bank deposits	58,396	121,782

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 32. CAPITAL COMMITMENTS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in these consolidated financial statements	–	2,950

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an independent third party	Lease liabilities	Dividends payable	Bank borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	997	10	–	55,302	56,309
Financing cash flows	–	(16)	(44,631)	(55,600)	(100,247)
No-cash changes					
Recognition of lease liabilities	–	267	–	–	267
Dividends declared	–	–	44,631	–	44,631
Interest expenses	–	3	–	498	501
Net exchange loss	22	–	–	–	22
At 31 December 2024	1,019	264	–	200	1,483
Financing cash flows	–	(19)	(21,572)	485	(21,106)
No-cash changes					
Dividends declared	–	–	21,572	–	21,572
Interest expenses	–	10	–	15	25
Net exchange gain	(25)	–	–	–	(25)
At 31 December 2025	994	255	–	700	1,949

## 34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	1,310,138	1,263,552
Financial assets at FVTPL	25,587	109,318
	<u>1,335,725</u>	<u>1,372,870</u>
<b>Financial liabilities at amortised cost</b>	524,828	594,562
<b>Lease liabilities</b>	<u>255</u>	<u>264</u>

### Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, term deposits, financial assets at FVTPL, restricted bank deposits, bank balances and cash, trade, bills and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and lease liabilities and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Currency risk

During the year, approximately 29% (2024: 26%) of the Group's sales is denominated in currencies other than the functional currency of the relevant group entities making the sale.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency at the end of each reporting period are as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Assets</b>		
USD	234,429	148,525
HKD	10,835	7,956
EUR	–	14,453
GBP	758	–
	<u>246,022</u>	<u>170,934</u>
<b>Liabilities</b>		
HKD	994	1,019
	<u>994</u>	<u>1,019</u>

The Group currently does not have a foreign currency hedging policy as the management of the Group considers that the foreign exchange risk exposure of the Group is minimal. The Group will consider hedging significant foreign currency exposure should the need arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Currency risk (continued)

##### Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2024: 10%) increase and decrease in the functional currency (i.e., RMB) of the relevant group entities against the foreign currencies. 10% (2024: 10%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2024: 10%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit for the year where RMB weakening against the relevant foreign currencies. For a 10% strengthen of RMB, there would be an equal and opposite impact on the profit after tax.

	Year ended At 31 December	
	2025	2024
	RMB'000	RMB'000
HKD	984	694
EUR	–	1,215
USD	19,920	12,603
GBP	64	–

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to term deposits, loan to an independent third party, amount due to an independent third party, lease liabilities and fixed-rate bank borrowings (details are set out in notes 24, 21, 25 and 27, respectively). The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group's exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate restricted bank deposits, bank balances and variable-rate bank borrowings (details are set out in notes 24 and 27).

The Group's exposures to interest rates on financial liabilities are detailed in the management section of this note.

In the opinion of the management of the Group, the exposure of cash flow interest rate risk arising from floating-rate restricted bank deposits, bank balances and bank borrowings is insignificant and thus no sensitivity analysis is prepared.

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables, contract assets, term deposit, restricted bank deposits and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The term deposit, restricted bank deposits, bank balances and bills receivables are determined to have low credit risk at the end of each reporting period. The credit risk on term deposits, restricted bank deposits, bank balances and bills receivables is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

The Group has concentration of credit risk as 4% (2024: 38%) of the total trade receivables was due from a customer in respect the construction of production line located in Kazakhstan as disclosed in note 21(i) as at 31 December 2025. Apart from this, the Group does not have significant credit risk exposure to any other customer as concentration of credit risk to any other customer did not exceed 5 per cent of total trade receivables as at 31 December 2025.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL on these items on an individual basis for customer with (1) high credit risk or (2) significant balances with different credit period, as assessed based on the Group's historical credit loss experience of different customer portfolio, and the remaining is estimated collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

##### Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure the impairment loss allowance at 12m ECL, since the Directors assessed that there has not been any significant increase in credit risk.

In determining the ECL, the management of the Group has taken into account the historical credit loss experience based on the past default experience of the counterparty, general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table shows the Group's credit risk grading framework in respect of financial assets and contract assets:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	Trade receivables and contract assets Lifetime ECL – not credit-impaired Other receivables 12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

31 December 2025	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB'000
Trade receivables (note)	21	Performing	Lifetime ECL (provision matrix)	232,270
		Doubtful	Lifetime ECL (individually assessed)	10,499
		Default	Lifetime ECL – credit-impaired (individually assessed)	54,455
				<u>297,224</u>
Contract assets (note)	17	Performing	Lifetime ECL (provision matrix)	67,505
Other receivables	21	Performing	12m ECL	12,844
Bills receivables	21	Performing	12m ECL	100,401
Term deposits	24	Performing	12m ECL	276,000
Restricted bank deposits	24	Performing	12m ECL	58,396
Bank balances	24	Performing	12m ECL	636,154
				<u>297,224</u>
31 December 2024	Notes	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
				RMB'000
Trade receivables (note)	21	Performing	Lifetime ECL (provision matrix)	169,545
		Doubtful	Lifetime ECL (individually assessed)	103,124
		Default	Lifetime ECL – credit-impaired (individually assessed)	57,191
				<u>329,860</u>
Contract assets (note)	17	Performing	Lifetime ECL (provision matrix)	46,422
Other receivables	21	Performing	12m ECL	15,236
Bills receivables	21	Performing	12m ECL	218,415
Term deposits	24	Performing	12m ECL	158,000
Restricted bank deposits	24	Performing	12m ECL	121,782
Bank balances	24	Performing	12m ECL	506,443

Note: For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. All of the Group's contract assets are not yet due for payment or in default. Except for debtors with (1) high credit risk or (2) significant balances with different credit period, the Group determines the ECL on these items by using a provision matrix grouped by internal credit rating.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on a provision matrix grouped by internal credit rating considering geographical information of the customers and aging of the receivables as at 31 December 2024 and 2025, respectively, within lifetime ECL (not credit-impaired). Debtors with high credit risk (credit-impaired) or significant balances with different credit period, with gross carrying amounts of RMB54,455,000 (2024: RMB57,191,000) and RMB10,499,000 (2024: RMB103,124,000) as at 31 December 2025 were assessed individually, respectively.

#### Gross carrying amounts as at 31 December 2025

	<b>Weighted average loss rate</b>	<b>Trade receivables</b>
		<b>RMB'000</b>
Customers located in Mainland China with trade receivables aged		
Within 1 year	3.7%	114,065
1 to 2 years	11.3%	69,752
Over 2 years	20.1%	10,473
		<u>194,290</u>
Customers outside Mainland China with trade receivables aged		
Within 1 year	1.2%	37,973
1 to 2 years	3.0%	7
Over 2 years	17.7%	-
		<u>37,980</u>
		<u><u>232,270</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

#### Gross carrying amounts as at 31 December 2024

	Weighted average loss rate	Trade receivables
		RMB'000
Customers located in Mainland China with trade receivables aged		
Within 1 year	9.2%	123,625
1 to 2 years	16.3%	27,549
Over 2 years	22.7%	10,355
		<u>161,529</u>
Customers outside Mainland China with trade receivables aged		
Within 1 year	1.2%	3,342
1 to 2 years	3.0%	3,442
Over 2 years	17.7%	1,232
		<u>8,016</u>
		<u><u>169,545</u></u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the current year, based on the provision matrix, the Group reversed net impairment loss allowance for trade receivables of RMB3,904,000 (2024: RMB954,000), and reversed net impairment loss allowance for contract assets of RMB1,271,000 (2024: RMB6,183,000). Reversal of net impairment loss allowance of RMB1,898,000 (2024: provision of RMB5,160,000) were individually made on trade receivables from debtors during the current year with (1) high credit risk or (2) significant balances with different credit period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	43,152	52,840	95,992
Impairment loss allowance provided	34,877	–	34,877
Impairment loss allowance reversed	(29,091)	(7,763)	(36,854)
Transfer to credit-impaired	(16,190)	16,190	–
Write-off as uncollectible	–	(4,076)	(4,076)
As at 31 December 2024	32,748	57,191	89,939
Impairment loss allowance provided	<b>19,313</b>	–	<b>19,313</b>
Impairment loss allowance reversed	<b>(21,436)</b>	<b>(4,950)</b>	<b>(26,386)</b>
Transfer to credit-impaired	<b>(11,568)</b>	<b>11,568</b>	–
Write-off as uncollectible	–	<b>(9,354)</b>	<b>(9,354)</b>
As at 31 December 2025	<b>19,057</b>	<b>54,455</b>	<b>73,512</b>

#### Liquidity risk

The management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

At 31 December 2025	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables at amortised cost	–	523,134	–	–	–	523,134	523,134
Amount due to an independent third party (included in other payables)	3.00%	994	–	–	–	994	994
Lease liabilities (included in other payables)	3.60%	–	9	10	340	359	255
Fixed-rate borrowings	2.68%	–	7	703	–	710	700
		<u>524,128</u>	<u>16</u>	<u>713</u>	<u>340</u>	<u>525,197</u>	<u>525,083</u>

At 31 December 2024	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables at amortised cost	–	593,343	–	–	–	593,343	593,343
Amount due to an independent third party (included in other payables)	3.00%	1,019	–	–	–	1,019	1,019
Lease liabilities (included in other payables)	3.60%	–	9	10	359	378	264
Fixed-rate borrowings	3.05%	–	222	–	–	222	200
		<u>594,362</u>	<u>231</u>	<u>10</u>	<u>359</u>	<u>594,962</u>	<u>594,826</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 35. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2025	2024		
	RMB'000	RMB'000		
Financial assets at FVTPL:				
Structured deposits	–	100,802	Level 2	Discounted cash flow. Future cash flow are estimated based on expected return of the structured deposits.
Investment in a fund	25,587	8,516	Level 2	Quoted bid prices, adjusted for estimated transaction costs.

There were no transfers between level 1 and 2 during the both years.

## 36. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in this report, the Group has no other major non-cash transactions during the both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 37. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

	Year ended At 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, bonus and other benefits	1,699	1,501
Retirement benefits scheme contributions	62	58
Discretionary performance related bonus	608	485
	<u>2,369</u>	<u>2,044</u>

The remuneration of key management personnel (being Chairman and director of the Company and other key management of the Group), is determined with reference to the performance of individuals and market trends.

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary	<u>59,987</u>	<u>59,987</u>
<b>CURRENT ASSET</b>		
Bank balances and cash	<u>9,390</u>	<u>7,309</u>
<b>CURRENT LIABILITIES</b>		
Amounts due to subsidiaries	39,342	36,521
Other payables	<u>50</u>	<u>50</u>
	<u>39,392</u>	<u>36,571</u>
<b>NET CURRENT LIABILITIES</b>	<u>(30,002)</u>	<u>(29,262)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>29,985</u>	<u>30,725</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	4,504	4,504
Share premium	10,582	30,767
Reserves	<u>14,899</u>	<u>(4,546)</u>
<b>TOTAL EQUITY</b>	<u>29,985</u>	<u>30,725</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

### Movements of the Company's reserves

	Share premium	Other reserve	(Accumulated losses) Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2024</b>	<b>73,617</b>	<b>611</b>	<b>(34,399)</b>	<b>39,829</b>
Profit and comprehensive income for the year	–	–	29,242	29,242
Dividend recognised as distribution (note 12)	(42,850)	–	–	(42,850)
<b>At 31 December 2024</b>	<b>30,767</b>	<b>611</b>	<b>(5,157)</b>	<b>26,221</b>
Profit and comprehensive income for the year	–	–	19,445	19,445
Dividend recognised as distribution (note 12)	(20,185)	–	–	(20,185)
At 31 December 2025	<b>10,582</b>	<b>611</b>	<b>14,288</b>	<b>25,481</b>

## 39. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Principal place of operation and incorporation/ establishment, date of incorporation/ establishment	Paid-in capital	Shareholding/equity interest attributable to the Group as at 31 December		Principal activities
			2025	2024	
Jiangsu Pengfei Group Limited* ("Jiangsu Pengfei") 江蘇鵬飛集團股份有限公司(note a)	the PRC, 8 July 2002	RMB37,316,000	<b>100%</b>	100%	Production and sale of equipment, construction of production line and installation services
Jiangsu Pengfei Group Haian Construction Equipment Company Limited* 江蘇鵬飛集團海安建材設備 有限公司(note a)	the PRC, 13 November 2001	RMB10,215,500	<b>66.13%</b>	66.13%	Production and sale of equipment
PengFei Holdings Limited ("PengFei BVI")	the BVI, 2 August 2017	USD1	<b>100%</b>	100%	Investment holding company

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 39. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Principal place of operation and incorporation/ establishment, date of incorporation/ establishment	Paid-in capital	Shareholding/equity interest attributable to the Group as at 31 December		Principal activities
			2025	2024	
China Heavy Equipment Engineering Limited 中國重器工程有限公司	Hong Kong, 11 August 2017	HKD1	100%	100%	Investment holding company
Jiangsu Pengfei Group Nantong Heavy Equipment Company Limited* 江蘇鵬飛集團南通重型設備有限公司 (note b)	the PRC, 8 April 2004	USD9,560,000	100%	100%	Leasing of property and equipment
Nantong Golden Environmental Protection Technology Company Limited* 南通金度環保科技有限公司(note a)	the PRC, 24 July 2018	RMB300,000	100%	100%	Machine manufacturing
Nantong Pengfei Equipment Company Limited* 南通鵬飛裝備有限公司(note a)	the PRC, 9 March 2023	RMB10,000,000	100%	100%	Machine manufacturing
Jiangsu Pengwu Construction Company Limited* 江蘇鵬浣建設有限公司(note a)	the PRC, 14 October 2016	–	100%	100%	Construction

Notes:

- (a) These companies are limited liability companies.
- (b) The company is a wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

\* The English name is for identification purpose only.

# FIVE YEAR FINANCIAL SUMMARY

## For the year ended 31 December

	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>1,432,991</b>	1,258,876	1,729,530	1,587,414	1,825,124
Profit and total comprehensive income for the year	<b>101,898</b>	70,735	143,503	122,060	110,305
Profit and total comprehensive income for the year attributable to owners of the Company	<b>100,935</b>	67,279	142,866	122,220	109,233

## As at 31 December

	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	<b>582,264</b>	598,836	599,942	717,485	642,947
Current assets	<b>1,864,765</b>	2,101,522	1,860,462	2,285,971	2,140,803
Non-current liabilities	<b>57,269</b>	52,944	71,463	51,574	22,400
Current liabilities	<b>1,373,219</b>	1,711,199	1,478,830	2,147,126	2,045,654
Net current assets	<b>491,546</b>	390,323	381,632	138,845	95,149
Total equity	<b>1,016,541</b>	936,215	910,111	804,756	715,696
Total equity attributable to owners of the Company	<b>1,014,906</b>	934,156	909,727	803,861	714,641

**China PengFei Group Limited**  
**中国鹏飞集团有限公司**