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## **China PengFei Group Limited**

**中国鹏飞集团有限公司**

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

**(Stock Code: 3348)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

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

- Revenue for the year ended 31 December 2024 was approximately RMB1,258.9 million, a decrease of 27.2% as compared to last year.
- Gross profit for the year ended 31 December 2024 was approximately RMB249.9 million, a decrease of approximately 33.3% as compared to last year.
- Profit before tax for the year ended 31 December 2024 was approximately RMB86.0 million, a decrease of approximately 52.6% as compared to last year.
- Profit and total comprehensive income for the year ended 31 December 2024 attributable to owners of the Company was approximately RMB67.3 million, a decrease of approximately 52.9% as compared to last year.
- Earnings per share attributable to ordinary equity holders of the Company was RMB13.46 cents per share for the year ended 31 December 2024.
- The Board recommended to declare a final dividend of RMB0.04037 per ordinary share, totalling approximately RMB20.2 million for the year ended 31 December 2024.

#### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

The board of director (the “**Board**”) of China PengFei Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 with comparative figures for the year ended 31 December 2023. The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS(s)**”). In addition, the annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	Year ended 31 December	
		2024 RMB'000	2023 RMB'000
Revenue	3	1,258,876	1,729,530
Cost of sales and services		<u>(1,008,932)</u>	<u>(1,354,971)</u>
Gross profit		249,944	374,559
Other income		30,371	18,077
Other gains and losses		6,738	21,729
Selling and distribution expenses		(89,385)	(90,526)
Administrative expenses		(61,669)	(62,757)
Research expenditure	4	(51,399)	(35,982)
Impairment losses under expected credit loss model, net of reversal	4	1,862	(43,160)
Finance costs		<u>(501)</u>	<u>(606)</u>
Profit before tax	4	85,961	181,334
Income tax expense	5	<u>(15,226)</u>	<u>(37,831)</u>
Profit and total comprehensive income for the year		<u><b>70,735</b></u>	<u>143,503</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		67,279	142,866
– Non-controlling interests		<u>3,456</u>	<u>637</u>
		<u><b>70,735</b></u>	<u>143,503</u>
Earnings per share	7		
– Basic (RMB cents)		<u>13.46</u>	<u>28.57</u>
– Diluted (RMB cents)		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2024

		As at 31 December	
	Notes	2024	2023
		RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Trade receivables	8	93,645	125,886
Term deposits		60,000	–
Property, plant and equipment		363,228	381,746
Investment properties		7,479	8,538
Intangible assets		231	262
Right-of-use assets		44,258	44,898
Deferred tax assets		25,805	25,415
Deposits paid for acquisition of property, plant and equipment		4,190	13,197
		<u>598,836</u>	<u>599,942</u>
<b>CURRENT ASSETS</b>			
Inventories	8	728,620	743,078
Trade, bills and other receivables		383,809	341,335
Contract assets		41,727	74,472
Contract costs		17,115	12,328
Value-added tax recoverable		8,248	2,872
Prepayments to suppliers		86,460	84,036
Financial assets at fair value through profit or loss (“FVTPL”)		109,318	103,090
Term deposits		98,000	68,519
Restricted bank deposits		121,782	51,830
Bank balances and cash		506,443	378,902
		<u>2,101,522</u>	<u>1,860,462</u>
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	9	628,042	559,468
Contract liabilities		1,051,915	838,358
Tax payable		28,383	40,984
Bank borrowings		200	37,361
Deferred income		2,659	2,659
		<u>1,711,199</u>	<u>1,478,830</u>
<b>NET CURRENT ASSETS</b>		<u>390,323</u>	<u>381,632</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>989,159</u></u>	<u><u>981,574</u></u>

	<b>As at 31 December</b>	
<i>Notes</i>	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	<b>46,445</b>	49,104
Bank borrowings	–	17,941
Deferred tax liabilities	<b>6,499</b>	4,418
	<u><b>52,944</b></u>	<u>71,463</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>4,504</b>	4,504
Share premium	<b>30,767</b>	73,617
Reserves	<b>898,885</b>	831,606
	<u><b>934,156</b></u>	<u>909,727</u>
Equity attributable to owners of the Company	<b>934,156</b>	909,727
Non-controlling interests	<b>2,059</b>	384
	<u><b>936,215</b></u>	<u>910,111</u>
<b>TOTAL EQUITY</b>	<u><b>989,159</b></u>	<u>981,574</u>

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 1. CORPORATE INFORMATION

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

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

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("**IFRSs**")

### **Amendments to IFRSs Accounting Standards that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs Accounting Standards 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 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

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

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</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>3</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>4</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 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026

The directors of the Company anticipate that the application of all these new and amendments to IFRSs Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of equipment, recognised at a point in time	<b>1,000,956</b>	1,661,171
Revenue from construction of production line, recognised over time	<b>232,372</b>	39,645
Installation service, recognised over time	<b>25,548</b>	28,714
	<b><u>1,258,876</u></b>	<b><u>1,729,530</u></b>

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

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

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

## **Sale of equipment**

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

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

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

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

## **Construction of production line**

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

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

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

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

## Installation service

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

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

## Contract costs

### *Incremental costs of obtaining a contract*

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

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	
	2024	2023
	RMB'000	RMB'000
<b>Provision of construction of production line</b>		
Within 1 year	<u>212,363</u>	<u>258,413</u>

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in respect of the Group's sale of equipment was RMB3,131,440,000 (2023: RMB2,651,833,000) as at 31 December 2024. In normal circumstances, the performance obligation is expected to be satisfied within one year. However, the timing of recognition is subject to the request of delivery from the customers and may be uncertain due to political uncertainty of the countries at where the Group's customers are situated, which may cause such revenue to be recognised more than one year after the end of the reporting period.

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



## Entity-wide disclosures

### *Geographical information*

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

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	936,516	1,289,416
Outside Mainland China		
Including: Uzbekistan	113,148	39,645
Kenya	103,910	–
Malawi	31,965	–
Morocco	27,170	–
Tajikistan	16,723	267,403
Bangladesh	–	47,105
Burundi	–	45,885
Others	29,444	40,076
	<u>1,258,876</u>	<u>1,729,530</u>

### *Information about major customers*

Revenue from customers contributing over 10% of the total revenue of the Group during the year are as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<u>(note)</u>	<u>267,403</u>

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

#### 4. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment	35,173	34,489
Depreciation of investment properties	1,059	1,059
Amortisation of intangible assets	83	5
Depreciation of right-of-use assets	907	956
	<hr/>	<hr/>
	37,222	36,509
Capitalised in inventories	(29,681)	(30,179)
	<hr/>	<hr/>
Total depreciation and amortisation charged to profit or loss	<b>7,541</b>	<b>6,330</b>
	<hr/>	<hr/>
Analysed as:		
Charged in administrative expenses	5,723	5,192
Charged in selling and distribution expenses	682	587
Charged in research expenditure	1,136	551
	<hr/>	<hr/>
	<b>7,541</b>	<b>6,330</b>
	<hr/>	<hr/>
Auditors' remuneration	1,380	1,962
Cost of inventories recognised as cost of sales	928,383	1,264,751
Directors' remuneration	1,905	2,065
Other staff costs		
– Salaries and other benefits	104,919	110,154
– Retirement benefit scheme contributions	15,438	21,812
– Discretionary performance related bonus	2,790	3,639
	<hr/>	<hr/>
	<b>123,147</b>	<b>135,605</b>
	<hr/>	<hr/>

	<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total staff costs	<b>125,052</b>	137,670
Capitalised in inventories	<b>(74,724)</b>	(88,232)
	<hr/>	<hr/>
Total staff costs charged to profit or loss	<b>50,328</b>	49,438
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Charged in administrative expenses	<b>22,537</b>	21,657
Charged in selling and distribution expenses	<b>8,139</b>	9,626
Charged in research expenditure	<b>19,652</b>	18,155
	<hr/>	<hr/>
	<b>50,328</b>	49,438
	<hr/> <hr/>	<hr/> <hr/>
Research expenditure		
Staff costs	<b>19,652</b>	18,155
Depreciation and amortisation	<b>1,136</b>	551
Technical consultancy fee	<b>8,569</b>	9,334
Materials consumed	<b>21,678</b>	7,375
Others	<b>364</b>	567
	<hr/>	<hr/>
	<b>51,399</b>	35,982
	<hr/> <hr/>	<hr/> <hr/>
Gross rental income from investment properties	<b>1,958</b>	1,288
Less:		
Direct operating expenses incurred for investment properties that generate rental income during the year	<b>(1,059)</b>	(1,059)
	<hr/>	<hr/>
	<b>899</b>	229
	<hr/> <hr/>	<hr/> <hr/>
Impairment losses under ECL model, net of reversal		
Trade receivables	<b>4,206</b>	38,501
Other receivables	<b>115</b>	706
Contract assets	<b>(6,183)</b>	3,953
	<hr/>	<hr/>
	<b>(1,862)</b>	43,160
	<hr/> <hr/>	<hr/> <hr/>

## 5. INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”)	13,535	33,948
Withholding tax of a PRC subsidiary	2,081	8,686
Deferred tax credit	(390)	(4,803)
	<u>15,226</u>	<u>37,831</u>

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

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

No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2023 and 2024.

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

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the years ended 31 December 2023 and 2024.

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	
	2024	2023
	RMB'000	RMB'000
Profit before tax	<u>85,961</u>	<u>181,334</u>
Tax at PRC EIT rate of 15% (2023: 15%) (note)	12,894	27,200
Tax effect of expense not deductible for tax purpose	1,352	2,261
Tax effect of deductible temporary differences not recognised	–	202
Utilisation of deductible temporary differences previously not recognised	(742)	(70)
Withholding tax of a PRC subsidiary	2,081	8,686
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(1,482)	(1,370)
Effect of different tax rates of other subsidiaries	<u>1,123</u>	<u>922</u>
Income tax expense	<u>15,226</u>	<u>37,831</u>

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

## 6. DIVIDEND

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Dividend for ordinary shareholders of the Company	<u>42,850</u>	<u>37,000</u>

During the current year, a final dividend in respect of the year ended 31 December 2023 of HKD0.0945 (equivalent to RMB0.0857) per ordinary share (2022: HKD0.084 (equivalent to RMB0.074)), in an aggregate amount of approximately HKD47.25 million (equivalent to RMB42.85 million) (2023: HKD42,200,000 (equivalent to RMB37,000,000)), 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 2024 of HKD0.04375 (equivalent to RMB0.04037) per ordinary share, in an aggregate amount of HKD21.9 million (equivalent to RMB20.2 million) and the aggregate amount of which will be paid out of the Company's share premium account, has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company and compliance with the Companies Act of the Cayman Islands.

## 7. EARNINGS PER SHARE

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

	Year ended 31 December	
	2024	2023
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	<u>67,279</u>	<u>142,866</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 2024 and 2023.

## 8. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade receivables	329,860	367,387
Less: Impairment loss allowance for trade receivables	(85,244)	(85,114)
	<u>244,616</u>	<u>282,273</u>
Bills receivables	218,415	175,738
	<u>463,031</u>	<u>458,011</u>
Other receivables and prepayments		
Other receivables ( <i>note ii</i> )	14,436	8,837
Prepaid expenses	127	398
Loan to an independent third party ( <i>note iii</i> )	800	800
	<u>15,363</u>	<u>10,035</u>
Less: Impairment loss allowance for other receivables	(940)	(825)
	<u>14,423</u>	<u>9,210</u>
	<u>477,454</u>	<u>467,221</u>
Analysed as:		
Current	383,809	341,335
Non-current ( <i>note i</i> )	93,645	125,886
	<u>477,454</u>	<u>467,221</u>

As at 1 January 2023, the Group's trade receivables amounted to RMB285,191,000 (net of impairment loss allowance of RMB53,825,000) and bills receivables amounted to RMB323,205,000.

*Note i:* As at 31 December 2024, included in the Group's trade receivables was a balance of RMB93,645,000 (net of impairment loss allowance of RMB9,479,000) (2023: RMB125,886,000 (net of impairment loss allowance of RMB12,746,000)) due from a customer in respect of the construction of a production line located in the Republic of Kazakhstan, among which nil, nil and RMB93,645,000 were aged 0 to 1 year, 1 to 2 years and over 2 years, respectively (2023: nil, RMB30,787,000 and RMB95,099,000 aged 0 to 1 year, 1 to 2 years and over 2 years, respectively). In May 2019, due to the expected delay in settlement from this customer as a result of the prolonged approval procedures from the customer's financing bank, the Group entered into a supplemental agreement with the customer, pursuant to which the Group agreed to defer an estimated amount of RMB280,000,000 (the "**Deferred Payment**") upon completion of the test run of the production line on or before 31 December 2019. The amount of the Deferred Payment, time period for accrual of interest and repayment schedule are subjected to finalisation between both parties according to the actual outstanding principal and interest upon completion of the production line. Both parties agreed to enter into another finalised Deferred Payment agreement with such details and terms to be fixed (the "**Finalised Deferred Payment Agreement**").

The Group had taken into consideration, when entered into the supplemental agreement, among others: (i) the creditability of the customer, (ii) the Group's business relationship with the customer, and (iii) the additional securities and guarantee obtained by the Group, including (a) corporate guarantee from the controlling shareholder and a fellow subsidiary of the customer, (b) charges over the equity interests of the immediate holding company and another fellow subsidiary of the customer and (c) pledge of the cement plant under construction held by the customer which was located in the Republic of Kazakhstan and all of its related machinery, tools, furniture, fixtures, equipment and vehicles. The Deferred Payment will be carried at a fixed interest rate of 8.41% per annum and be settled in every three months by twelve instalments, which was intended to start from 30 September 2020, but subject to a specific date upon finalisation of the Finalised Deferred Payment Agreement.

The production line was completed in the year ended 31 December 2022. Up to the date of the issuance this announcement, the Group and the customer had not yet entered into the Finalised Deferred Payment Agreement.

*Note ii:* As at 31 December 2024, other receivables mainly included staff advance of RMB2,044,000 (2023: RMB1,777,000) and refundable tender deposits paid to potential customers of RMB4,810,000 (2023: RMB6,159,000). 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 2024, the Group's loan to an independent third party was unsecured, repayable on demand and carry at fixed interests of 4.40% (2023: 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 RMB102,275,000 (2023: RMB79,997,000) as at 31 December 2024, 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 period.

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 1 year	115,572	96,482
1 to 2 years	26,387	71,569
Over 2 years	102,657	114,222
	<u>244,616</u>	<u>282,273</u>

As at 31 December 2024, the Group's trade receivables of RMB244,616,000 (2023: RMB282,273,000) which are past due is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high. The management of the Group considered that the trade receivables became defaulted when these trade receivables had been past due over 2 years with no settlement within 1 year.

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	215,193	163,658
181 days to 1 year	3,222	12,080
	<u>218,415</u>	<u>175,738</u>

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	<u>218,415</u>	<u>175,738</u>

As at 31 December 2024, bills receivables of nil (2023: RMB31,040,000) were pledged to banks for issuing bills payables.



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

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

	<b>Lifetime ECL</b> <b>RMB'000</b>
At 1 January 2023	53,825
Impairment loss allowance recognised	44,284
Impairment loss allowance reversed	(5,783)
Write-off as uncollectible	(7,212)
	<hr/>
At 31 December 2023	85,114
Impairment loss allowance recognised	30,748
Impairment loss allowance reversed	(26,542)
Write-off as uncollectible	(4,076)
	<hr/>
At 31 December 2024	<b>85,244</b>
	<hr/> <hr/>

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

	<b>12m ECL</b> <b>RMB'000</b>
At 1 January 2023	119
Impairment loss allowance recognised	747
Impairment loss allowance reversed	(41)
	<hr/>
At 31 December 2023	825
Impairment loss allowance recognised	445
Impairment loss allowance reversed	(330)
	<hr/>
At 31 December 2024	<b>940</b>
	<hr/> <hr/>

Included in the balance of impairment loss allowance are individually impaired trade receivables in full with an aggregate balance of RMB57,191,000 (2023: RMB52,110,000) as at 31 December 2024, 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>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Analysis of trade and other receivables by currency:		
Denominated in United States dollar ("USD")	10,190	33,811
Denominated in European dollar ("EUR")	<u>4,861</u>	<u>20,939</u>

## 9. TRADE, BILLS AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Trade payables	407,298	414,970
Bills payables	142,965	70,481
Other taxes payables	9,123	9,514
Amount due to an independent third party ( <i>note i</i> )	1,019	997
Accrued expense	3,306	3,118
Accrued payroll and welfare	20,987	19,564
Unpaid incremental commission	39,888	39,712
Lease liabilities ( <i>note ii</i> )	264	10
Other payables	<u>3,192</u>	<u>1,102</u>
	<u><b>628,042</b></u>	<u><b>559,468</b></u>

The credit period on purchases of goods ranges from 0 to 365 days during the years ended 31 December 2023 and 2024 and certain suppliers allow longer credit period on a case-by-case basis.

### Notes:

- (i) As at 31 December 2024, the amount represented a loan of 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 (2023: 3.00%). Such loan was repayable on demand.
- (ii) The Group's lease liabilities at the end of each reporting period was arising from the lease of a piece of land for administrative purpose which was located in Hai'an City, Jiangsu Province, the PRC. The lease term will be expired in October 2044, with a fixed annual lease payment of RMB19,000. These lease liabilities were unsecured and unguaranteed.

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

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 1 year	228,187	325,607
1 year to 2 years	137,662	65,156
Over 2 years	41,449	24,207
	<u>407,298</u>	<u>414,970</u>

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

<b>Age</b>	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	<u>142,965</u>	<u>70,481</u>

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

<b>Age</b>	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 180 days	<u>142,965</u>	<u>70,481</u>

## 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 2024, revenue generated from customers in the building materials industries amounted to approximately RMB524.9 million (2023: RMB730.0 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 59.1% and 71.1%, respectively, of our total revenue in the sale of equipment for the year 2023 and 2024. 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 2024, over 80% 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 and Republic of Burundi. Revenue generated from our customers in the "Belt and Road" countries accounted for approximately 21.2% and 11.6%, respectively, of our total revenue for the years 2023 and 2024. During the year of 2024, the Group had two on-going production line projects which were located in one of 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 Tsinghua University on "Key Technology for Efficient Pyrolysis and Clean Utilisation of Low-rank Coal" (《低階煤高效熱解清潔利用關鍵技術》), Four sets of equipment including rotary kiln for lithium ore roasting are included in the catalogue of recommended new technologies in Jiangsu Province. The Group's special project subject to open competition mechanism to stimulate the enthusiasm of innovation entities had successfully passed the interim reviews. Key technology for design and manufacturing of large heavy duty gear has passed the scientific and technological achievement evaluation by the China Building Materials Federation. As at 31 December 2024, the Group had 170 authorised patents, comprising 84 invention patents. There are also 89 patent applications pending approval which primarily relate to manufacture of products in rotary kiln and grinding equipment system.

## Outlook

We believe the PRC government will continue adopting policies to stimulate the economy as well as encouraging investment in overseas infrastructure along the "Belt and Road" countries. Looking ahead, in light of the growing demand of rotary kilns, grinding equipment and their related equipment in the overseas market, the Group will continue to make good use of the "Belt and Road" initiatives and actively explore opportunities in relation to construction of production lines located in "Belt and Road" countries and emerging markets where there is a significant demand for building materials as well as production equipment relating to building materials.

2025 is the concluding year of the 14th Five-Year Plan, the planning and layout year of the 15th Five-Year Plan, and also a year of "going green and increasing reliance on intelligence" in terms of transformation and development for the Group. We will continue to act on the principle of seeking progress while maintaining stability, focus on high-end manufacturing, smart manufacturing, green manufacturing, and service-oriented manufacturing, deepen Company-wide corporate reform, improve technological innovation capabilities, and innovate incentive schemes. Moving towards the "new" direction, we will proactively promote the layout of the new-energy equipment industry and adhere to the two-wheel drive of technological innovation and model innovation. Moving towards "going green", we will conscientiously implement the "dual carbon" strategy, optimize the energy structure, and promote green manufacturing. In terms of "smart intelligence", we will make every effort to accelerate digital and smart intelligence transformation, achieve new breakthroughs in digital and applications of smart intelligence such as smart workshops and smart factories, accelerate the formation of new quality productive forces, strengthen and optimize the equipment manufacturing and engineering construction businesses, to ensure the Company's steady and sustained progress.

## FINANCIAL REVIEW

### Revenue

	Year ended 31 December				Year-over-Year Change %
	2024		2023		
	RMB'000	%	RMB'000	%	
Sale of equipment	1,000,956	79.5	1,661,171	96.0	-39.7
Installation service	25,548	2.0	28,714	1.7	-11.0
Construction of production line	232,372	18.5	39,645	2.3	486.1
<b>Total</b>	<b>1,258,876</b>	<b>100.0</b>	<b>1,729,530</b>	<b>100.0</b>	<b>-27.2</b>

Our revenue decreased by approximately RMB470.7 million or 27.2% to approximately RMB1,258.9 million for the year ended 31 December 2024 from approximately RMB1,729.5 million for the year ended 31 December 2023 as a result of the decrease of our revenue generated from sale of equipment business offset by increase in revenue from our construction of production line business.

*Sale of equipment.* Revenue derived from sale of equipment business decreased by approximately RMB560.2 million or 39.7% to approximately RMB1,001.0 million for the year ended 31 December 2024 from RMB1,661.2 million for the year ended 31 December 2023. The decrease in revenue derived from sale of equipment business was primarily due to the reduced demand from our customers in the Mainland China and in the building materials industry with revenue decreasing from approximately RMB679.9 million for the year ended 31 December 2023 to approximately RMB290.4 million for the year ended 31 December 2024.

*Installation service.* Revenue derived from our installation service business decreased by approximately RMB3.2 million or 11.0% to approximately RMB25.5 million for the year ended 31 December 2024 from approximately RMB28.7 million for the year ended 31 December 2023. This decrease was mainly due to the decreased demand of installation service from customers under our sale of equipment business for the year ended 31 December 2024.

*Construction of production line.* Revenue from our construction of production line business increased by RMB192.7 million or 486.1% to approximately RMB232.4 million for the year ended 31 December 2024 from approximately RMB39.6 million for the year ended 31 December 2023. This increase was mainly attributable to the increase 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 decreased by approximately RMB346.0 million or 25.5% to approximately RMB1,008.9 million for the year ended 31 December 2024 from approximately RMB1,355.0 million for the year ended 31 December 2023 mainly due to decrease of sales during the same period. Cost of raw materials, being the largest component of our cost of sales and services sub-contracting cost decreased by approximately RMB337.6 million in cost of sales and services.

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

As a result of the foregoing, the Group's gross profit decreased by approximately RMB124.6 million or 33.3% to approximately RMB249.9 million for the year ended 31 December 2024 from approximately RMB374.6 million for the year ended 31 December 2023. The Group's gross profit margin decreased to 19.9% for the year ended 31 December 2024 from 21.7% for the year ended 31 December 2023.

## **Other income**

Our other income increased by approximately RMB12.3 million or 68.0% to approximately RMB30.4 million for the year ended 31 December 2024 from approximately RMB18.1 million for the year ended 31 December 2023 mainly attributable to the increased interest income received and government grants in the year ended 31 December 2024 as compared to 2023.

## **Other gains and losses**

We record other gains of approximately RMB6.7 million for the year ended 31 December 2024, representing a decrease of 69.0% as compared with approximately RMB21.7 million for the year ended 31 December 2023. This was mainly due to the decrease in net foreign exchange gain from approximately RMB17.0 million for the year ended 31 December 2023 to approximately RMB4.7 million for the year ended 31 December 2024.

## **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately RMB1.1 million or 1.3% to approximately RMB89.4 million for the year ended 31 December 2024 from approximately RMB90.5 million for the year ended 31 December 2023 mainly due to a decrease in transportation and port expenses incurred by the Group with the decrease in sales.

## **Administrative expenses**

Our administrative expenses decreased by approximately RMB1.1 million or 1.7% to approximately RMB61.7 million for the year ended 31 December 2024 from approximately RMB62.8 million for the year ended 31 December 2023. The comparatively lower administrative expenses for the year ended 31 December 2024 was mainly attributable to the reduced professional services fee and travelling expenses incurred during the year ended 31 December 2024 as compared with 2023.

## **Research expenditure**

Our research expenditure increased by approximately RMB15.4 million or 42.8% to approximately RMB51.4 million for the year ended 31 December 2024 from approximately RMB36.0 million for the year ended 31 December 2023 mainly due to increased staff costs and material consumed for our research activities during the year ended 31 December 2024 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 decreased by approximately RMB41.3 million or 95.7% to approximately RMB1.9 million for the year ended 31 December 2024 from approximately RMB43.2 million for the year ended 31 December 2023 mainly due to the collection of some long aged trade receivables during the year ended 31 December 2024 as compared with 2023.

## **Income tax expenses**

Our income tax expenses decreased by approximately RMB22.6 million or 59.8% to approximately RMB15.2 million for the year ended 31 December 2024 from approximately RMB37.8 million for the year ended 31 December 2023. Our effective tax rate was 20.9% and 17.7% for each of the years ended 31 December 2023 and 2024, respectively. The decrease of effective tax rate for the year ended 31 December 2024 was mainly due to decrease of withholding tax of a PRC subsidiary during the year ended 31 December 2024.

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

As a result of the foregoing, our profit and total comprehensive income decreased by approximately RMB72.8 million or 50.7% to approximately RMB70.7 million for the year ended 31 December 2024 from approximately RMB143.5 million for the year ended 31 December 2023.

## **WORKING CAPITAL MANAGEMENT**

The Group maintained sufficient working capital as at 31 December 2024 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 RMB390.3 million (31 December 2023: RMB381.6 million) with a current ratio calculated by dividing our current assets over our current liabilities of 122.8% (31 December 2023: 125.8%) as at 31 December 2024.

Inventories decreased by approximately RMB14.5 million or 1.9% to approximately RMB728.6 million as at 31 December 2024 from approximately RMB743.1 million as at 31 December 2023. Inventory turnover days was 263 days for the year ended 31 December 2024, representing an increase of 31 days as compared to 232 days for the year ended 31 December 2023. The increase in inventory turnover days was mainly due to decrease in our sales during the year ended 31 December 2024.



Trade, bills and other receivables increased by approximately RMB10.2 million or 2.2% to approximately RMB477.5 million as at 31 December 2024 from approximately RMB467.2 million as at 31 December 2023, among which trade receivables decreased by approximately RMB37.5 million or 10.2% to approximately RMB329.9 million as compared with approximately RMB367.4 million as at 31 December 2023. In May 2019, the Group, due to the expected delay in settlement from one of our production line customers resulting from the prolonged approval procedures of its financing bank, entered into a supplemental agreement with such customer pursuant to which our Group agreed that such customer to defer the outstanding payment upon completion of such production line project up to a maximum amount of RMB280 million (the “**Deferred Payment**”) bearing a fixed interest rate of 8.41% per annum secured and guaranteed by such customer. As agreed in the supplemental agreement, the Deferred Payment up to a maximum amount of RMB280 million was agreed to be settled in every three months by 12 installments starting from 30 September 2020, but subject to a specific date upon finalisation of negotiation by both parties. During the year ended 31 December 2022, the Group entered into an offsetting agreement with the customer and a subcontractor engaged by the Group for constructing the production line, pursuant to which RMB102,921,000 of the Group’s receivables from the customer and RMB102,921,000 of the Group’s payables to the subcontractor had been offset as agreed by these contractual parties. The production line was completed during the year ended 31 December 2022. Up to the date of the issuance of this announcement, the Group and the customer had not yet entered into the Finalised Deferred Payment Agreement. As at 31 December 2024 and up to the date of this announcement, the Group is still in negotiation and had not yet agreed on a commencement date of the repayment. As at 31 December 2024, outstanding balance of approximately RMB103.1 million (net of impairment loss allowance of approximately RMB93.6 million) was included in the Group’s trade receivables. Our trade receivables turnover days was 74 days (2023: 57 days) for the year ended 31 December 2024 representing an increase of 17 days. The increase in trade receivable turnover days during the year ended 31 December 2024 was primarily due to the decrease in our sales during the year.

Prepayments to suppliers increased by approximately RMB2.4 million or 2.9% to approximately RMB86.5 million as at 31 December 2024 from approximately RMB84.3 million as at 31 December 2023 primarily due to increased prepayments made to the suppliers in relation to our construction of production line project.

Contract liabilities increased by approximately RMB213.6 million or 25.5% to approximately RMB1,051.9 million as at 31 December 2024 from approximately RMB838.4 million as at 31 December 2023. The increase in contract liabilities was mainly due to advance payments received from our customers during the year for the new and on-going contracts obtained.

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

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

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB555.4 million (31 December 2023: approximately RMB378.9 million). A portion of the Group's bank deposits totaling approximately RMB121.8 million (31 December 2023: approximately RMB51.8 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 2024, we had banking facilities of approximately RMB93 million, of which approximately RMB25.3 million were utilised. The utilised banking facilities as at 31 December 2024 represented bank guarantee of approximately RMB19.6 million and bank acceptance bill amounted to RMB5.7 million. As at 31 December 2024, our Group had unutilised banking facilities amounted to approximately RMB67.7 million. As at 31 December 2024, the Group had bank borrowings of approximately RMB0.2 million (31 December 2023: approximately RMB55.3 million).

As at 31 December 2024, 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 188.8% (31 December 2023: 170.4%). The increase in our gearing ratio was mainly due to a reduction in the balance of our equity as at 31 December 2024 as compared to 31 December 2023.

During the year ended 31 December 2024, the Group recorded net cash from operating activities of approximately RMB387.0 million (2023: RMB46.4 million). Net cash used in investing activities for the year ended 31 December 2024 amounted to approximately RMB110.5 million (2023: net cash from investing activities amounted to RMB74.1 million). Net cash used in financing activities for the year ended 31 December 2024 amounted to approximately RMB100.2 million (2023: approximately RMB88.1 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 38% of the total trade receivables was due from a construction of production line customer of Group as at 31 December 2024 (31 December 2023: 45%), the Group has concentration of credit risk.

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.

## **Liquidity risk**

During the year ended 31 December 2024, 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 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

## **CAPITAL EXPENDITURES**

As at 31 December 2024, the Group's capital expenditures amounted to approximately RMB8.4 million (31 December 2023: approximately RMB25.1 million) which has mainly related to the acquisition of property, plant and equipment.

## **PLEDGE OF ASSETS**

As at 31 December 2024, the Group's restricted bank deposits of approximately RMB121.8 million (31 December 2023: in respect of restricted bank deposits and bills receivables and term deposits with an aggregate carrying amount of approximately RMB151.4 million) were pledged to banks for issuing bills payables.

## **CAPITAL COMMITMENTS**

As at 31 December 2024, the Group's capital expenditure amounted to approximately RMB3.0 million (31 December 2023: in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of approximately RMB11.6 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 2024 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION INFORMATION**

As at 31 December 2024, the Group had a total of 888 employees (31 December 2023: 1,092) 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 2024, the Group incurred staff cost (including Directors' remuneration) of approximately RMB125.1 million (2023: approximately RMB137.7 million).

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

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

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL

During the year ended 31 December 2024, 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 2024, the financial assets at FVTPL held by the Group were approximately RMB109.3 million (31 December 2023: RMB103.1 million), representing 4.0% of total assets of the Group. Details of the financial assets at FVTPL held by the Group as at 31 December 2024 are set out as follows:

Financial assets at FVTPL	Subscription date	Interest rate (per annum)	Maturity date	Principal amount of subscription ('000)	Changes in fair value for the year ended 31 December 2024 ('000)	Carrying amount as of 31 December 2024 ('000)	Percentage of total assets of the Group as of 31 December 2024
Taikang Kaitai Wealth Management Product of Class A – HKD – ACC, Taikang Kaitai Hong Kong Dollar Money Market Fund <sup>(Note 2)</sup>	9 July 2024	Dependent on other factors <sup>(Note 2)</sup>	No fixed term <sup>(Note 1)</sup>	HKD9,000	HKD196	HKD9,196	0.32%
Bank of China Linked Structured Deposit CSDVY202412685 (Institutional Customer)* (中國銀行掛鈎型結構性存款 CSDVY202412685 (機構客戶)) <sup>(Note 4)</sup>	14 August 2024	1.4% or 2.7891% <sup>(Note 3)</sup>	20 February 2025	RMB 52,000,000	RMB548	RMB52,548	1.95%
Bank of China Linked Structured Deposit CSDVY202412684 (Institutional Customer)* (中國銀行掛鈎型結構性存款 CSDVY202412684 (機構客戶))	14 August 2024	1.4% or 2.7991% <sup>(Note 4)</sup>	18 February 2025	RMB 48,000,000	RMB254	RMB48,254	1.79%

### Note:

1. This wealth management product is a non-principal guaranteed with floating return product redeemable on any dealing day subject to the compliance with the redemption procedures applicable. The Group redeemed a majority of the subscription, amounting to HKD33,000,000 of the product on 15 July 2024, the redemption represented an average annualized return of approximately 4.11%. The remaining HKD9,000,000 will be continue to be held for not more than 12 months in line with the Group's treasury management plan. For the details of this wealth management product, please refer to the announcement of the Company dated 9 July 2024 and 15 August 2024.
2. The expected return of the Taikang Kaitai Wealth Management Product is to be determined on the basis of the difference between the net assets value of the Taikang Kaitai Wealth Management Product on the redemption date and the initial subscription price, multiplied by the total unit of Taikang Kaitai Wealth Management Product subscribed.
3. This wealth management product is a principal-guaranteed with guaranteed minimum rate and redeemable upon the maturity date. If the relevant linked indicator is lower than a set baseline at the observation time, the expected minimum rate of return will be 1.4% per annum, otherwise a maximum rate of return of 2.7891% per annum. For the details of this wealth management product, please refer to the announcement of the Company dated 14 August 2024.
4. This wealth management product is a principal-guaranteed with guaranteed minimum rate and redeemable upon the maturity date. If the relevant linked indicator is lower than a set baseline at the observation time, the expected minimum rate of return will be 1.4% per annum, otherwise a maximum rate of return of 2.7991% per annum. For the details of this wealth management product, please refer to the announcement of the Company dated 14 August 2024.

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 2024 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 2024 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 2024.

## **OTHER INFORMATION**

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2024.

## **FINAL DIVIDEND**

For the year ended 31 December 2024, the Board recommended a final dividend (the “**Final Dividend**”) of RMB0.04037 (not subject to withholding tax) per ordinary share (2023: RMB0.0857 per ordinary share) to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Wednesday, 2 July 2025, totaling approximately RMB20.2 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 Wednesday, 18 June 2025. 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 28 March 2025, which was HKD1.00 to RMB0.92273, 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 HKD0.04375 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, 18 July 2025.

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

For determining eligibility to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Friday, 13 June 2025 to Wednesday, 18 June 2025, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2025.

For determining entitlement to the Final Dividend, the transfer books and register of members of the Company will be closed from Friday, 27 June 2025 to Wednesday, 2 July 2025, both days inclusive, during which period no transfers of shares of the Company will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at the abovementioned address not later than 4:30 p.m. on Thursday, 26 June 2025. Subject to the approval of Shareholders at the AGM, the Final Dividend will be despatched to Shareholders whose name appear on the register of members of the Company on 2 July 2025.

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

The Company has adopted the principles and code provisions as set out in the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own code on corporate governance. During the year ended 31 December 2024, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code.

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

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2024.

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

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

The Audit Committee has reviewed and discussed the audited consolidated financial statements and Annual Results of the Group and the accounting principles and policies adopted by the Group for the year ended 31 December 2024 and agreed with the accounting treatment adopted and the particulars mentioned in this announcement.

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the Preliminary Announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board of Directors on 31 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

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

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company (<http://pengfei.com.cn/>). The annual report of the Company for the year ended 31 December 2024 will be dispatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 31 March 2025

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

\* *For identification purpose only*