

RUIFENG POWER GROUP

Annual Report 2025

Ruifeng Power Group Company Limited
瑞豐動力集團有限公司

(Incorporated in Cayman Islands with limited liability)
Stock code : 2025





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Corporate Information

DIRECTORS

Executive Directors

Mr. Meng Lianzhou
(Chairman and Chief Executive Officer)
Ms. Meng Lingjin
Mr. Liu Zhanwen
Mr. Liu Enwang
Mr. Zhang Yuexuan

Independent Non-Executive Directors

Mr. Wong Tak Chun (appointed on 30 June 2025)
Mr. Wan Ming
Mr. Ren Keqiang
Mr. Yu Chun Kau (resigned on 30 June 2025)

AUDIT COMMITTEE

Mr. Wong Tak Chun (Chairman)
(appointed on 30 June 2025)
Mr. Ren Keqiang
Mr. Wan Ming
Mr. Yu Chun Kau (resigned on 30 June 2025)

NOMINATION COMMITTEE

Mr. Wan Ming (Chairman)
Mr. Wong Tak Chun (appointed on 30 June 2025)
Ms. Meng Lingjin (appointed on 30 June 2025)
Mr. Yu Chun Kau (resigned on 30 June 2025)
Mr. Meng Lianzhou (resigned on 30 June 2025)

REMUNERATION COMMITTEE

Mr. Ren Keqiang (Chairman)
Mr. Meng Lianzhou
Mr. Wong Tak Chun (appointed on 30 June 2025)
Mr. Yu Chun Kau (resigned on 30 June 2025)

COMPANY SECRETARY

Mr. Lai Wai Leuk

AUTHORISED REPRESENTATIVES

(for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”))

Mr. Meng Lianzhou
Mr. Lai Wai Leuk

LEGAL ADVISOR

As to Hong Kong Law:
DeHeng Law Offices (Hong Kong) LLP
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5 Queen’s Road Central
Hong Kong

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Edinburgh Tower
The Landmark
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Hong Kong

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New World Tower I
No. 16-18 Queen’s Road Central, Central
Hong Kong

AUDITOR

Forvis Mazars
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
42/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Shenzhen Branch
Industrial Commercial Bank of China Shenzhen Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Corporate Information



HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN PRC

Middle of East Taishan Road
Shenzhou
Hebei Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Ha Lung Building
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Sai Ying Pun
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR BRANCH

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

STOCK CODE

Hong Kong Stock Exchange: 2025

WEBSITE

www.hbsgt.com



Company Overview

Ruifeng Power Group Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) is a specialized manufacturer of cylinder blocks and cylinder heads, a major structure in automobile engines, based in Shenzhou, Hebei Province, the People’s Republic of China (the “**PRC**”).

Production of cylinder blocks and cylinder heads in the PRC has historically been split between internal production by manufacturers of automobiles and automobile engines and external outsourcing to specialized producers of automobile engine spare parts. The size of our business operations and significant production capacity allow us to secure the use of our products by some of the leading automobile manufacturers and engine producers located in the PRC.

The main products are:

Cylinder Blocks – A main structure of the automobile engine in which combustion of fuel takes place. It provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcases. As a central component of an automobile engine, defect acceptance levels for cylinder blocks need to be very low as it directly affects the engine performance, life and other important indicators.

Cylinder Heads – A major component of the engine which sits on top of the cylinder blocks and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder head has to withstand high pressure and high temperatures while retaining its shape and form to seal the cylinder blocks via the head gasket.

Ancillary Cylinder Block Components and others – including main bearing cap and flywheel. Main bearing caps are used in piston engines to secure the crankshaft against the cylinder blocks. Our main bearing caps help prevent the forces created by the piston and transmitted to the crankshaft by forcing the crank to convert the reciprocating movement into rotation. A flywheel is designed to keep the crankshaft in the cylinder blocks turning smoothly during the periods when no power is being applied. Our flywheels are easy to install and highly resistant to rust and corrosion.

We believe that the following competitive strengths of the Group can support our Group’s long-term business development:

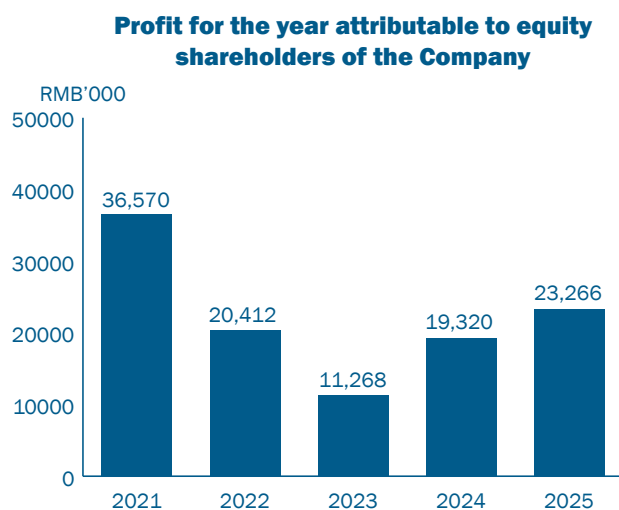
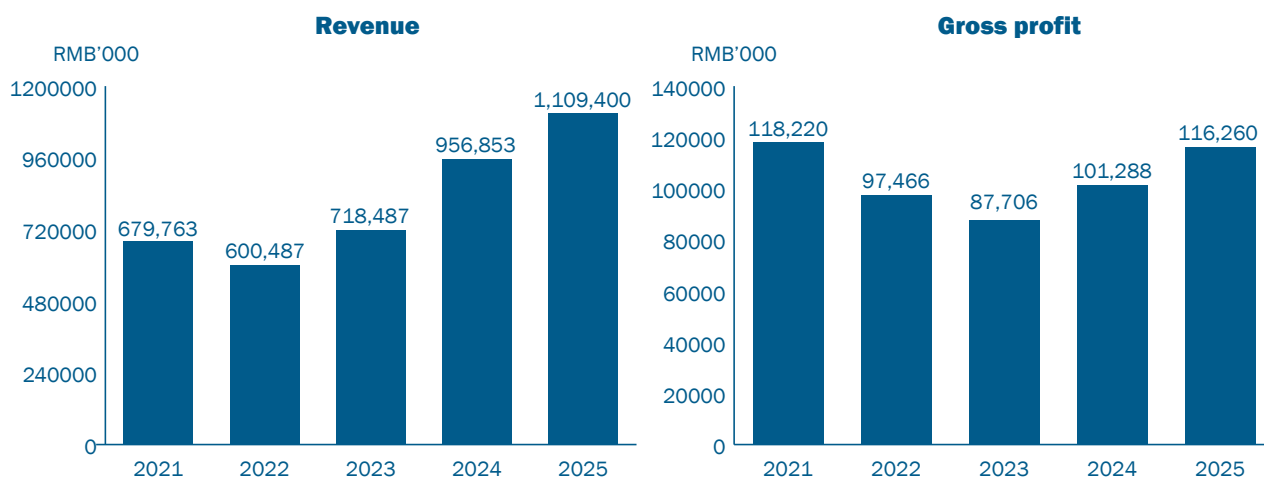
- The specialized and established manufacturer of cylinder blocks and cylinder heads and ancillary cylinder block components in the PRC;
- A high level of flexibility in production facilities and process to meet the specific needs of different customers;
- Continuous optimization and innovation of production process and technologies; and
- Strong design and research and development capabilities.

Financial Summary



MAJOR ITEMS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December	2025	2024	2023	2022	2021
Revenue (RMB'000)	1,109,400	956,853	718,487	600,487	679,763
Gross profit (RMB'000)	116,260	101,288	87,706	97,466	118,220
Gross profit margin	10.5%	10.6%	12.2%	16.2%	17.4%
Profit for the year attributable to equity shareholders of the Company (RMB'000)	23,266	19,320	11,268	20,412	36,570
Net profit margin	2.1%	2.0%	1.6%	3.4%	5.4%
Basic and diluted earnings per share (RMB)	0.029	0.024	0.014	0.026	0.046



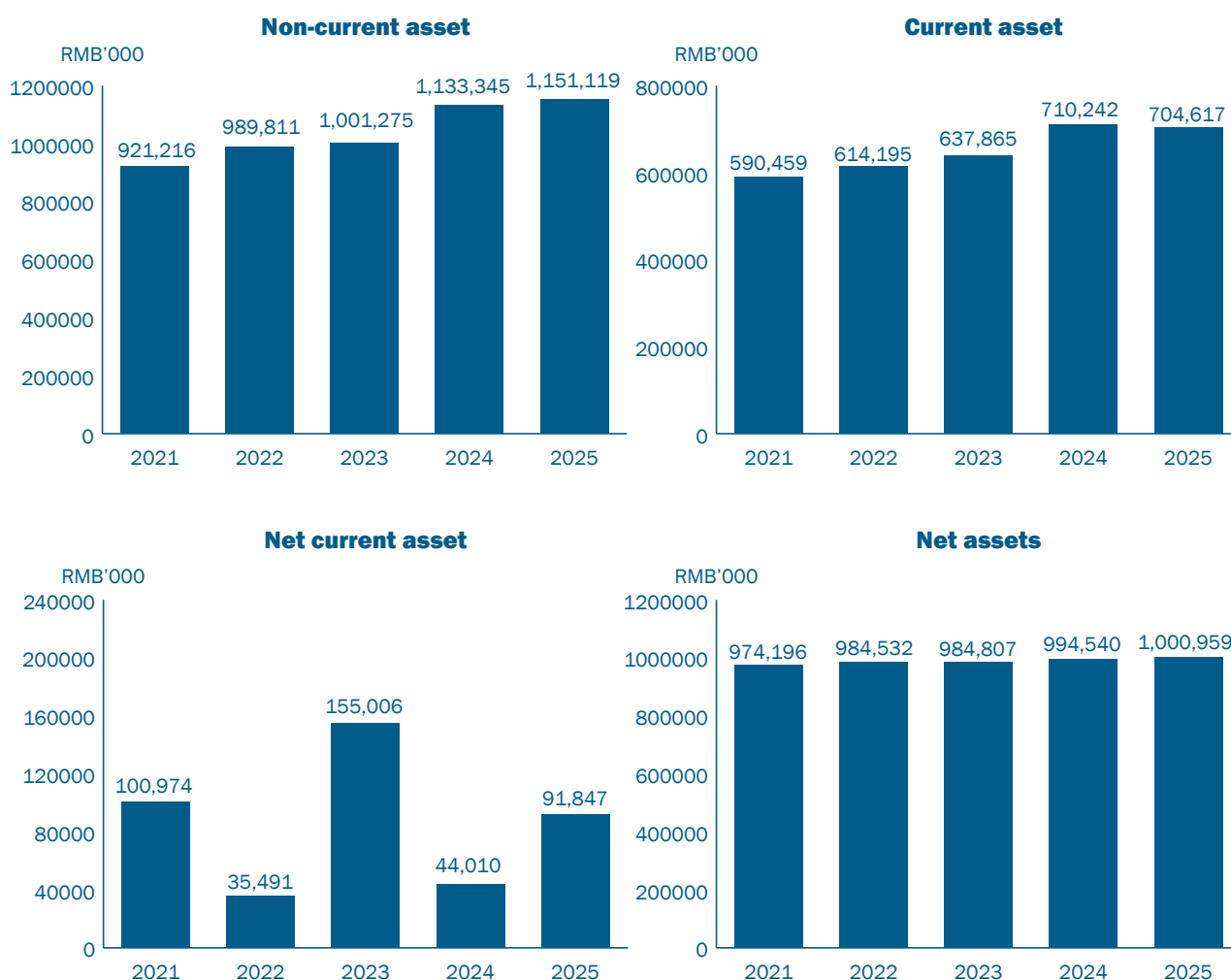
Financial Summary

MAJOR ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2025	2024	2023	2022	2021
Non-current assets (RMB'000)	1,151,119	1,133,345	1,001,275	989,811	921,216
Current assets (RMB'000)	704,617	710,242	637,865	614,195	590,459
Current liabilities (RMB'000)	612,770	666,232	482,859	578,704	489,485
Net current assets (RMB'000)	91,847	44,010	155,006	35,491	100,974
Non-current liabilities (RMB'000)	242,007	182,815	171,474	40,770	47,994
Net assets (RMB'000)	1,000,959	994,540	984,807	984,532	974,196
Gearing ratio (Note)	36.9%	31.8%	24.7%	23.9%	16.4%

Note

Gearing ratio equals total debt divided by total equity as at the end of the year. Total debt includes all interest-bearing borrowings.





Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Ruifeng Power Group Company Limited (the “**Company**”), I am going to present to the Shareholders the annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2025 (“**2025**” or the “**Year**”).

2025 marked a pivotal year for China's automotive industry, characterized by the accelerated adjustment of industrial structure, the diversified advancement of powertrain technologies, and the continuous quality enhancement and upgrading of the supply chain ecosystem. In the face of a complex environment defined by intensifying industry competition, deepening technological transformation, and the evolving demands of customers, the Board and the management of the Group adhered to the general guiding principle of “stability-led progress, innovation-driven growth, quality-first commitment, and synergetic development”. We continued to consolidate our competitive advantages in the field of core automotive engine components, while accelerating our strategic transformation from the manufacturing of traditional automotive parts to the production of high-end intelligent equipment. At the same time, we are actively expanding into areas such as energy storage and new energy components, with a comprehensive focus on executing our future strategies.

We are actively advancing into the high-end intelligent equipment manufacturing sector, for which we have built new growth engines:

Energy Storage Sector: In partnership with a leader in aluminum alloy casting, Peace Aluminum, we have co-founded a joint laboratory, marking our entry into the fields of energy storage device battery enclosures, lightweight components for new energy vehicles, and the precision machining of high-end aluminum profiles. This collaboration fosters vertical integration across the value chain, significantly enhancing the added value of our products.

Intelligent Components: Through a profound technological alliance with a Beijing-based company specialising in L3-level autonomous driving systems, we are spearheading the development of new energy vehicle chassis integrated with intelligent sensor interfaces. This collaboration marks a key expansion of the Group's business, extending our reach from traditional powertrains to the forefront of intelligent driving and smart manufacturing.

Underwater Robotics Project: We have planned to engage a Beijing-based technology company specialising in underwater intelligence to establish a research and manufacturing hub in Shenzhou for underwater intelligent cleaning and inspection robots. This initiative is set to directly serve three industries with essential demands: ship cleaning, operations and maintenance of offshore wind farm, and port facility inspections.

In terms of our traditional business, with over two decades of extensive industry experience, the Group has developed into a leading professional manufacturer of cylinder blocks and cylinder heads (a key structural component of automobile engines) in the PRC. We are one of the few players in the industry capable of providing one-stop design, casting, and processing solutions. During the year, we continued to strengthen our presence in traditional areas of strength, further deepening partnerships with core domestic and international clients such as BYD, Geely Automobile, Chery Automobile, FAW Hongqi, and Deutz AG.



Chairman's Statement

Further, we have not only increased investment in intelligent manufacturing by introducing high-precision machining centers and flexible manufacturing systems, but have also been recognised as a High and New Technical Enterprise (高新技術企業) and a “Specialized, Refined, Differential and Innovative Little Giants Enterprise” (專精特新小巨人) in Hebei Province. These recognitions mark the authoritative recognition of our intelligent manufacturing capabilities.

Looking ahead, the global automotive industry will continue to navigate an era of rapid technological iteration and intensifying international competition. 2026 also marks the inaugural year of the Group's “15th Five-Year” Development Plan. Looking into the future, the Group is leveraging its deep-rooted expertise in precision machining and material sciences to collaborate with universities in establishing post-doctoral research stations and academician workstations. This strategic initiative aims to spearhead our entry into emerging industries through groundbreaking technological advancements. We are actively exploring the application of our core manufacturing capabilities in high-potential sectors, such as humanoid robotics and the low-altitude economy. The demand for precision structural components in these emerging industries aligns perfectly with our technical strengths, which is expected to create a new “second growth curve” for the Group, achieving a comprehensive transformation from a traditional automotive component manufacturer to a provider of high-end manufacturing solutions for intelligent equipment.

ACKNOWLEDGMENTS:

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all employees for their excellent contributions to the development of the Group, and would also like to extend my appreciation to all Shareholders, customers, suppliers, business partners and other stakeholders for their trust and long-term support. The Group will continue its efforts to maintain growth and strive to create sustainable long-term value and satisfactory returns to our Shareholders.

Meng Lianzhou

Chairman

Shenzhou, the PRC

31 March 2026

Directors and Senior Management



DIRECTORS

Executive Directors

Mr. Meng Lianzhou (孟連周), aged 65, is the executive Director, chief executive officer and chairman of the Group who is responsible for the overall strategic development and business development of the Group. Mr. Meng was appointed as a Director of the Company on 2 May 2017 and re-designated as an executive Director on 10 August 2017. Mr. Meng is also a director of Hebei Ruifeng Technology Co., Limited (河北瑞豐科技有限公司) (“**Hebei Ruifeng**”), an indirect wholly-owned subsidiary of the Company. He has over 22 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. Meng is one of the founders of the Group and one of the controlling shareholders of the Company (the “**Controlling Shareholders**”). Mr. Meng graduated from Hebei Radio and TV University (河北廣播電視大學) with a certificate in corporate management in July 1988. He has been a director of the Group since June 2002 and our chairman since October 2003. Mr. Meng was named a “Model Worker in Hebei Province” (河北省職工勞動模範) by Hebei Municipal Government and Hebei Federation of Trade Unions of Shenzhou City (河北省人民政府、河北省總工會) in 2009. Furthermore, Mr. Meng has also held offices as the vice president of the Union of Returned Overseas Chinese in Hengshui City (衡水市歸國華僑聯合會) since 2012 and the vice president of the Industry and Commerce Union in Hengshui City (衡水市工商業聯合會) since 2016. Mr. Meng is a director of Dragon Rise Ventures Limited (“**Dragon Rise**”), one of the Controlling Shareholders. Mr. Meng’s interest in the shares of the Company (the “**Shares**”) and its associated corporations as at 31 December 2025 is disclosed under the section headed “Directors’ Report – Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures”. Mr. Meng is the father of Ms. Meng Lingjin, being an executive Director, the general manager of Hebei Ruifeng, as well as an executive Director and one of the senior management members of the Group.

Ms. Meng Lingjin (孟令金), aged 42, is the executive Director of the Company who is responsible for the overall business operation of the Group. She was appointed as an executive Director of the Company on 1 July 2024. Ms. Meng is also the general manager of Hebei Ruifeng who is mainly responsible for overseeing the overall daily operations and management of Hebei Ruifeng. Ms. Meng graduated from Wuhan University of Science and Technology (武漢科技大學) and received a bachelor of degree of accountancy in 2007. Ms. Meng worked at Hengshui Municipal Market Supervision and Administration Bureau (衡水市市場監督管理局) from September 2007 to October 2020, and is mainly responsible for the works in relation to supervision and administration of the municipal market. Ms. Meng joined Hebei Ruifeng as a management trainee from November 2020 to December 2021, and her role involved rotating across different departments to gain exposure to all operation functions, policies, and staff duties. She was promoted to deputy general manager of Hebei Ruifeng in January 2022 and she oversaw the finance and administrative functions of Hebei Ruifeng as deputy general manager from January 2022 to December 2022. She was further promoted to the general manager of Hebei Ruifeng since January 2023. Ms. Meng is the daughter of Mr. Meng Lianzhou, being an executive Director, the chief executive officer, chairman and one of the Controlling Shareholders of the Group.

Ms. Meng has obtained the legal opinion as described under Rule 3.09D of the Listing Rules on 28 June 2024, and confirmed that she understood her duties as an executive Director of the Company.



Directors and Senior Management

Mr. Liu Zhanwen (劉占穩), aged 73, is the executive Director who is responsible for the overall business operation of the Group. He was appointed as an executive Director of the Company on 10 August 2017. Mr. Liu is also a director of Hebei Ruifeng. He has over 22 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. Liu is one of the founders of the Group and one of our Controlling Shareholders. He joined Hebei Cylinder Block Factory (河北省燃機缸體廠) (“**Hebei Cylinder Block Factory**”) in March 1995 as a sales department officer until the restructuring of Hebei Cylinder Block Factory in October 2003. Mr. Liu has been a director of the Group since June 2002 and had held various positions including assistant of general manager, deputy general manager and sales manager in the Group. Mr. Liu is a director of Dragon Rise. Mr. Liu’s interest in the shares of the Company and its associated corporations as at 31 December 2025 is disclosed under the section headed “Directors’ Report – Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures” in this annual report.

Mr. Liu Enwang (劉恩旺), aged 64, is the executive Director who is responsible for the overall financial management of the Group. He was appointed as an executive Director of the Company on 10 August 2017. Mr. Liu is also a director of Hebei Ruifeng. He is one of the founders of the Group and one of our Controlling Shareholders. Mr. Liu graduated from the School of Agriculture and Mechanization, Hengshui (衡水地區農業機械化學校) (currently known as Hengshui Industrial School (衡水工業學校)) with a major in machinery maintenance in May 1981. Mr. Liu joined Hebei Cylinder Block Factory in March 1995 as an accountant and was later promoted to be the deputy section manager in July 1995 and the section manager in May 1997, until the restructuring of Hebei Cylinder Block Factory in October 2003. He has been a director of the Group since June 2002. He had been the financial director of Hebei Ruifeng Engine from October 2003 to July 2007. Since August 2007, he has been the financial director and deputy general manager of Hebei Ruifeng, mainly responsible for financial management. Mr. Liu is a director of Dragon Rise. Mr. Liu’s interest in the shares of the Company and its associated corporations as at 31 December 2025 is disclosed under the section headed “Directors’ Report – Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures” in this annual report.

Mr. Zhang Yuexuan (張躍選), aged 77, is the executive Director who is responsible for the overall product research and development of the Group. He was appointed as an executive Director of the Company on 10 August 2017. Mr. Zhang is also a director of Hebei Ruifeng. He has over 22 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. Zhang is one of the founders of the Group and one of our Controlling Shareholders. He joined Hebei Cylinder Block Factory in March 1995 as a processing line director and was later promoted to be the vice plant manager in July 2000 until the restructuring of Hebei Cylinder Block Factory in October 2003. Mr. Zhang has been a director of the Group since June 2002. From October 2003 until the dissolution of Hebei Ruifeng Internal Combustion Engine Cylinder Block Company Limited (河北瑞豐內燃機缸體有限公司) (“**Hebei Ruifeng Engine**”) in December 2009, he had held various positions in Hebei Ruifeng Engine including vice chairman, deputy general manager and general manager. He was the deputy general manager of Hebei Ruifeng from March 2016 to February 2017. Since February 2017, he has been the executive general manager of Hebei Ruifeng, mainly responsible for the product research and development. Mr. Zhang is a director of Dragon Rise. Mr. Zhang’s interest in the shares of the Company and its associated corporations as at 31 December 2025 is disclosed under the section headed “Directors’ Report – Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures” in this annual report.

Directors and Senior Management



INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Tak Chun, aged 44, is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. Mr. Wong obtained a bachelor's degree in economics from the University of British Columbia in 2005, and a master's degree in corporate governance from the Hong Kong Polytechnic University in 2014.

Mr. Wong has more than 20 years of experience in accounting, corporate governance, corporate finance, capital markets, and investor relations. Mr. Wong worked as an assistant manager at KPMG from August 2005 to May 2010. From May 2010 to June 2013, Mr. Wong served as a company secretary and finance manager of Central China Real Estate Limited (Stock Code: 0832). Mr. Wong served as the deputy chief financial officer since February 2014 and the company secretary since April 2014 of Modern Land (China) Co., Limited (Stock code: 1107) until January 2016. Mr. Wong served as the company secretary and the chief financial officer of Helidongsheng international Logistic Company Limited (和立東升國際物流產業有限公司), in Hunan, the PRC, from March 2016 to February 2017. Mr. Wong has served as the chief financial officer and the company secretary of the Top Spring International Holdings Limited (Stock code.: 3688) since January 2018 and February 2018, respectively. Mr. Wong has been appointed as an independent non-executive director of Dadi Education Holdings Limited (Stock Code: 8417) from January 2017 to March 2026.

Mr. Wan Ming (萬明), aged 55, is our independent non-executive Director of the Company since July 2021. He obtained a degree of Computer Application from National University of Defense Technology in 1991. From September 1992 to October 1993, Mr. Wan served as an engineer of the Shenzhen Giant New Technology Co. Ltd (深圳巨人新技術有限公司). Since November 1993, Mr. Wan worked at Shenzhen Jiyatong Industrial Co., Ltd (深圳吉亞通實業有限公司) with his current position as the manager. Mr. Wan has over 30 years of experience in the fields of business development and automobile in the PRC.



Directors and Senior Management

Mr. Ren Keqiang (任克強), aged 52, is our independent non-executive Director. He was appointed as an independent non-executive Director on 11 December 2017. Mr. Ren graduated from High School Longkou Mining Bureau, Longkou City, Yantai City, Shandong Province (山東省煙台市龍口市龍口礦務局高中) (currently known as Longkou School, Longkou City (龍口市龍礦學校)) in July 1992. He has over 15 years of experience in the investment and management field. From October 1995 to November 2014 and from July 2018 to March 2020, Mr. Ren held various positions at Langfang Huari Furniture Co., Ltd. (廊坊華日家具股份有限公司), a company principally engaged in the sale and manufacturing of furniture in the PRC, he was the purchasing officer and deputy manager of the purchasing department from October 1995 to June 1997; the manager from July 1997 to October 2003; the investment manager from October 2003 to December 2011; the general manager of office furniture division and the assistant of the chairman from January 2012 to November 2014; the general manager of the investment department from July 2018 to March 2020, mainly responsible for investment, asset management, and merger and acquisition. From January 2015 to July 2018, Mr. Ren is the general manager of Shenzhen Ren Intelligent Investment Co., Ltd (深圳仁智慧投資有限公司), a company principally engaged in equity investment and secondary stock market investment, and is mainly responsible for investment, assets management and mergers. From December 2014 to December 2020, Mr. Ren was the supervisor of Shenzhen Ren Intelligent Investment Co., Ltd. From December 2019 to August 2021, Mr. Ren was the director of Celebrity International Holdings Ltd (明星國際有限公司). From January 2020 to 2022, he was the director of Huayun Company Limited (華雲有限公司). Since March 2022 to present, he is a manager of sub-funds management division of Hebei Listing Share Investment Fund Company Limited (河北上市股權投資基金有限公司) and is mainly responsible for management and operation of sub-funds. Since September 2022 to present, he is a director and general manager of Langfang Fuxing Investment Co., Ltd (廊坊市富興投資有限公司) and is mainly responsible for daily corporate management. Since November 2022 to present, is a director and general manager of Gu'an Fangxing Equity Investment Fund Co., Ltd (固安方興股權投資有限公司) and is mainly responsible for daily corporate management.



Directors and Senior Management

SENIOR MANAGEMENT

Ms. Meng Lingjin (孟令金), aged 42, is the general manager of Hebei Ruifeng who is mainly responsible for overseeing the overall daily operations and management of Hebei Ruifeng. For the biographical details of Ms. Meng, please refer to the paragraph headed “Executive Directors” in this section.

Mr. Wei Xilai (位喜來), aged 41, is the secretary to chairman who is responsible for the overall administration work of the Group. Mr. Wei joined the Group as an office clerk in September 2006 and was promoted to be the secretary to chairman in February 2012. Mr. Wei graduated from Central Radio and Television University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) with a diploma in Chinese linguistics and literatures in July 2011.

Mr. Lai Wai Leuk (黎偉略), aged 48, is the chief financial officer and company secretary of the Company. He was appointed as a chief financial officer and company secretary with effect from 4 November 2024. He is responsible for overseeing the Group’s financial management and company secretarial works. Mr. Lai received his bachelor’s degree of Commerce majoring in Accountancy from the University of Wollongong in Australia in December 1999 and obtained a master’s degree in Corporate Governance from the Hong Kong Polytechnic University in September 2017. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and an associate member of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Mr. Lai has more than 20 years of experience in auditing, accounting and corporate secretarial fields. From May 2000 to January 2004, Mr. Lai worked at Fung, Yu & Co., Certified Public Accountants. He also served successively as accountant, assistant manager and manager of KPMG from January 2004 to October 2009. Mr. Lai was transferred to KPMG Advisory (China) Limited from November 2009 to May 2012 and was a senior manager at the time of leaving. He also served as chief financial officer of Aujet Industry Limited from May 2012 to August 2013. Mr. Lai was the chief financial officer, company secretary and one of the authorised representatives of Billion Industrial Holdings Limited (stock code: 2299), a company listed on the Main Board of the Stock Exchange, from October 2013 to July 2021. He served as an independent non-executive director of Universal Star (Holdings) Limited (former stock code: 2346), a company previously listed on the Main Board of the Stock Exchange, from June 2021 to March 2022. He also served as the company secretary of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited* (stock code: 1379), a company listed on the Main Board of the Stock Exchange, from July 2022 to March 2024. Mr. Lai is currently an independent non-executive director of Boer Power Holdings Limited (stock code: 1685), a company listed on the Main Board of the Stock Exchange, and has served in this capacity since July 2020.

COMPANY SECRETARY

The company secretary is Mr. Lai Wai Leuk. Mr. Lai has served as the chief financial officer and company secretary of our Company since 4 November 2024. Please refer to his biographical details in the sub-section headed “Senior Management” above.



Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2025, China's automobile industry continued its transition from being a large automobile nation to becoming a global automotive powerhouse. Despite a complex environment characterized by rising global protectionism and supply chain restructuring, the Chinese automotive industry delivered better-than-expected growth, which was driven by the deep integration of electrification and intelligence, an optimized export structure, and a comprehensive breakthrough in the industrial ecosystem. China has not only maintained its position as the world's largest market for automobile production and sales for 17 consecutive years, but has also achieved the highest global penetration rate for new energy vehicles and a record domestic brand market share, while vehicle and component exports continued to expand.

According to the data issued by the China Association of Automobile Manufacturers ("**CAAM**"), the cumulative total production and sales of automobile reached approximately 34.5 million units and 34.4 million units in 2025, representing a year-on-year increase of approximately 10.4% and 9.4%, respectively, hitting new record highs. Automobile exports scaled new heights, establishing China as a core force in global automotive trade, with annual exports reaching 7.1 million units, representing a year-on-year increase of 21.1%.

New energy vehicles have pivoted from being a growth driver to becoming the dominant force in the market. In 2025, the production and sales of new energy vehicles amounted to 16.6 million units and 16.5 million units, respectively, representing a year-on-year increase of 29.0% and 28.2%, respectively. Notably, new energy vehicles accounted for 47.9% of total new vehicle sales, an increase of 7.0 percentage points from 2024. In December 2025 alone, the penetration rate of new energy vehicles surpassed 52.3%, signaling that new energy vehicles have officially secured their dominance in the market.

In terms of powertrain structure, plug-in hybrid vehicles maintained their explosive growth momentum, moving in tandem with pure electric vehicles, which has become a key driver for penetrating lower-tier markets and accelerating the replacement of fuel vehicles. Leveraging their first-mover advantage in intelligence and electrification, Chinese passenger car brands reached a market share of 69.5%, representing a 4.3 percentage point increase year-on-year, while the market share of joint-venture brands continued to decline.

In 2025, to promote the high-quality development of the automotive industry and stabilize the macroeconomy, the Chinese government and relevant authorities introduced a series of precision-targeted measures:

- Eight ministries, including the Ministry of Industry and Information Technology, jointly issued the Work Plan for Stabilizing Growth of the Automotive Industry (2025–2026) (《汽車行業穩增長工作方案(2025–2026年)》), which provides a systematic deployment across technological innovation, consumption promotion, and export support, aiming to break the cycle of “destructive internal competition” and guide the industry toward the higher end of the value chain.
- The State Administration for Market Regulation drafted the Guidelines on Price Behavior Compliance in the Automotive Industry (Draft for Public Comment) (《汽車行業價格行為合規指南(徵求意見稿)》), which effectively promotes price transparency and comprehensively addresses “irrational price wars”, laying a solid foundation for the healthy and sustainable development of the industry.

Management Discussion and Analysis



As the automobile industry moves towards the deep integration of electrification and intelligence, the definition of traditional core components is being rewritten. Despite the continuous expansion of the market share of pure electric vehicles, robust demand for hybrids, extended-range electric vehicles, and high-efficiency internal combustion engines has carved out a second growth curve for traditional components such as cylinder blocks and cylinder heads. In 2025, the industry's focus shifted towards the mass production of dedicated hybrid engine blocks, as well as the application of integrated die-casting and lightweight materials. Furthermore, traditional casting technologies are seeing a spillover effect into non-automotive sectors. Supply chain enterprises can only build new core competitiveness amidst this industrial transformation by deepening their technical expertise and optimizing their customer structures.

In 2025, China's automotive industry has demonstrated that electrification capability has become a fundamental survival skill, while intelligence is now the crucial tie-breaker that will decide the final victors. The technological prestige and brand premiums of joint-venture brands have further eroded, while domestic brands, leveraging their full-stack self-developed technical prowess and precise insights into user needs, have firmly secured their market dominance. In 2026, the Board expects that the industry will enter a period of intensified market consolidation, where global operational capabilities and business model innovation will become the keys to victory. From exporting products to exporting technical standards, and from "internal price wars" to "outward value expansion", the Chinese automotive industry is reshaping the global industrial landscape.

BUSINESS REVIEW

The year 2025 marks the culmination of the 14th Five-Year Development Plan, a period during which the global automotive supply chain underwent accelerated restructuring, and the international supply capabilities of Chinese automotive and component enterprises continued to strengthen. Ruifeng Power Group Company Limited (hereinafter "**Ruifeng Power**") has remained steadfast in its guiding principles of "stability-led progress, innovation-driven growth, quality-first commitment, and seizing opportunities". While consolidating our competitive advantages in core traditional engine components, the Group is comprehensively accelerating its strategic transformation from the manufacturing of traditional automotive parts to the production of high-end intelligent equipment. For the year ended 31 December 2025, the revenue and profit of the Group amounted to approximately RMB1,109.4 million and approximately RMB23.3 million, respectively, representing an increase of approximately 15.9% and approximately 20.4%, respectively, as compared to the year ended 31 December 2024. Excluding the provision of impairment loss on other non-current assets, the profit for the year was approximately RMB30.3 million, representing an increase of approximately 56.7%, as compared with the profit for the year ended 31 December 2024. The increase in revenue was primarily attributable to the Group's strengthened market position within highly competitive markets. This achievement was largely driven by a surge in orders from key customers such as BYD and Geely, who are leaders in the automotive industry. Additionally, the Company has continued to expand its customer base and to diversify its products to capture new opportunities.

Focusing on Intelligent Transformation by Expanding into High-End Intelligent Equipment

The Group is actively advancing its strategic transformation from traditional manufacturing to the production of high-end intelligent equipment, breaking the boundaries to build a technology ecosystem:



Management Discussion and Analysis

Energy Storage Equipment: The Group has embarked on a comprehensive strategic partnership with Beijing Peace Aluminium Co. Ltd. (北京和平鋁業有限公司) (the “**Peace Aluminium**”). Harnessing Peace Aluminium’s complete industry chain capabilities from high-performance aluminium alloys to profile extrusion and surface treatment, combined with the Group’s expertise in precision machining, digitalised manufacturing, and automotive client networks, the two parties have co-established a joint laboratory dedicated to high-pressure casting processes and advanced aluminium profile technologies.

This collaboration achieves full vertical integration along the aluminium value chain, encompassing ingots, smelting, extrusion, and precision machining, while simultaneously extending the Group’s reach into high-end frontiers, energy storage device battery enclosures, lightweight components for new energy vehicles (such as battery trays, front and rear bumper beams, sill beams, and energy-absorbing boxes), and specialised aluminium profiles for defence and marine applications. Through industry chain synergy, the Group has markedly lowered outsourcing costs, accelerated mould development cycles, and realised integrated development across moulds, profiles, and machining, building formidable technological and cost barriers that underpin its expansion into the energy storage and lightweight new energy vehicle markets.

Intelligent Components: At the same time, the Group has initiated a technological collaboration with a Beijing-based autonomous driving system developer. Focusing on the requirements of L3-level autonomous driving, the partnership drives the development of new energy vehicle chassis integrated with intelligent sensor interfaces. This initiative successfully expands our business footprint into the hardware foundations of intelligent driving and smart manufacturing, achieving a substantial leap in technological sophistication.

Underwater Robotics: Serving as the pivotal engine of its strategic transformation, the Group has integrated the core technologies of a Beijing-based solutions provider specialising in underwater intelligent cleaning and inspection robots, as well as intelligent inspection and patrol systems. A dedicated research and manufacturing hub for underwater intelligent cleaning and inspection robots is being established in Shenzhou, poised to directly serve three sectors with essential demands: ship cleaning, operations and maintenance of offshore wind farm, and port facility inspections.

In terms of capacity building, we have consistently increased our investment in intelligent manufacturing by establishing new high-precision machining centers, CNC machine tools, and fully automated testing devices. By introducing flexible manufacturing systems (FMS), we have significantly enhanced production efficiency and our capacity for multi-variety, customized delivery. As a result, the Group has been recognised as a High and New Technical Enterprise* (高新技術企業) and a “Specialized, Refined, Differential and Innovative Little Giants Enterprise*” (專精特新小巨人) in Hebei Province, marking a significant milestone in its journey of intelligent transformation.

Consolidating Traditional Advantages and Deepening Customer Collaboration

The Group has consistently adhered to a “customer-centric” philosophy, establishing long-term synergetic partnerships with premium domestic and international clients. In 2025, our strategic collaboration with BYD deepened further; the Group participated in the supply of key components for their engine and hybrid platforms, with our product quality and delivery capabilities receiving high acclaim. Regarding Geely Automobile, Chery Automobile, and FAW Hongqi, both parties have engaged in deep technical synergy in areas such as cylinder block lightweighting and NVH optimization. The cooperation model has successfully upgraded from traditional manufacturing to collaborative R&D.

Management Discussion and Analysis



In the international market, the Group's partnership with Deutz AG has entered a new cycle. We successfully secured long-term orders for engine cylinder blocks and heads meeting Stage V/Tier 4 standards, marking the Group's full compliance with the world's most stringent emission regulations. The Group continues to optimize internal management to safeguard cash flow and supply chain health, while actively expanding into overseas markets. It is gradually becoming a strategic partner of Deutz AG in Germany for smart assembly, thereby increasing the proportion of international clients and laying a solid foundation for future global development.

With our exceptional delivery quality and collaborative philosophy, the Group was honored as BYD's "Annual Outstanding Supplier" (年度優秀供應商) in December 2025, and received the "Win-Win Cooperation Award" (合作共贏獎) for excellent suppliers at the Foton Motor 2026 Business Conference. Additionally, in January 2026, the Group was invited to the Yuchai Group Global Partner Conference and received the "Value Co-creation Award" (價值共創獎).

Positioning for Future Frontiers to Drive New Growth

In 2025, the landscape of China's automotive supply chain has been evolving from a "vertical chain model" towards a "networked ecosystem". As a manufacturer of core engine components, the Group has identified and captured emerging trends and is actively exploring the extension of its precision machining capabilities to a broader range of application scenarios.

We are conducting in-depth research into the demand for precision structural components in emerging industries, such as underwater robotics and low-altitude aircraft. These sectors are highly synergistic with our technical expertise in high-complexity component manufacturing, lightweight material applications, and precision machining, and are expected to create a brand-new "second growth curve" for the Group. Furthermore, we continue to deepen our industry-university-research cooperation with institutions such as Hebei University of Technology and Tianjin University. By strengthening forward-looking research into new materials and processes, we are building a talent and knowledge base for the commercial application of future breakthrough technologies, ensuring that the Group maintains its technological leadership in an ever-changing market.

FUTURE PROSPECTS

As we look toward 2026, the global automotive industry will continue to navigate technological evolution amid intensifying international competition. The year also heralds the commencement of the Group's 15th Five-Year Development Plan. Standing at a critical juncture of transformation, we will draw on our established expertise and production capabilities accumulated in the field of cylinder blocks and heads, build upon the breakthroughs achieved in lightweight and intelligent transformation, and actively position ourselves in future emerging industries. Centering on the core strategy of "sustaining growth, enhancing quality, driving innovation and strengthening cooperation", we are comprehensively advancing our strategic transformation from the manufacturing of traditional automotive parts to the production of high-end intelligent equipment. The Group will direct its efforts along the following avenues:

- **Consolidating Foundations and Deepening Synergy:** We will continue to deepen our strategic partnerships with core clients such as BYD, Geely Automobile, Chery Automobile, FAW Hongqi, and Deutz AG, by proactively engaging in the co-development of next-generation powertrain platforms, ensuring the steady and robust growth of our traditional business segments.

Management Discussion and Analysis

- **Strengthening the Present and Enhancing Value:** We will increase R&D investment in compacted graphite iron (CGI) and aluminium–magnesium lightweight materials and apply advanced processes, such as 3D-printed sand cores, to the production of more high-end products, significantly enhancing technological sophistication and added value. We will solidify cooperation with aluminum casting enterprises to jointly explore new opportunities in the energy storage sector. Leveraging our collaborations with autonomous driving companies, we will expand our precision component business related to vehicle intelligence, converting technological breakthroughs into commercial success.
- **Pioneering the Future through Dual-Engine Drivers:** The Group is accelerating the industrialisation of its underwater robotics project, leveraging its precision manufacturing capabilities alongside the partner’s core technologies to drive the development of a shared underwater robotics service platform. At the same time, we are actively exploring and strategically entering the underwater robotics and low-altitude economy sectors, creating a new engine for business growth. This initiative underpins the Group’s comprehensive transformation from a traditional automotive parts manufacturer into a provider of high-end intelligent equipment manufacturing solutions, delivering sustainable long-term value for its Shareholders.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 15.9% from approximately RMB956.9 million for the year ended 31 December 2024 to approximately RMB1,109.4 million for the year ended 31 December 2025. This increase was primarily attributable to an increase in sales of cylinder blocks and sales of cylinder heads. The following table sets forth the revenue and sales volume by segment and major product type for the years ended 31 December 2025 and 2024:

	2025			2024		
	Revenue RMB'000	As a percentage of total revenue %	Sales volume units	Revenue RMB'000	As a percentage of total revenue %	Sales volume units
Cylinder blocks						
– passenger vehicles	284,559	25.6	509,240	303,786	31.7	391,642
– commercial vehicles	287,247	25.9	303,338	244,849	25.6	370,847
– industrial vehicles	184,032	16.6	130,630	168,195	17.6	134,643
Subtotal	755,838	68.1	943,208	716,830	74.9	897,132
Cylinder heads	288,755	26.0	449,554	213,159	22.3	311,539
Ancillary cylinder block components and others	64,807	5.9	199,544	26,864	2.8	325,567
Total	1,109,400	100.0		956,853	100.0	

Management Discussion and Analysis



Sales of Cylinder Blocks

Segment revenue from sales of cylinder blocks increased by approximately 5.4% from approximately RMB716.8 million for the year ended 31 December 2024 to approximately RMB755.8 million for the year ended 31 December 2025. Meanwhile, the sales volume of cylinder blocks increased by approximately 5.1% from approximately 897,000 units for the year ended 31 December 2024 to approximately 943,000 units for the year ended 31 December 2025. Such increase in sales volume was primarily driven by strong demand for passenger vehicle cylinder blocks, while the increase in overall segment revenue was primarily attributable to higher average selling prices for commercial vehicle and industrial vehicle cylinder blocks.

Sales of Cylinder Heads

Segment revenue from sales of cylinder heads increased by approximately 35.5% from approximately RMB213.2 million for the year ended 31 December 2024 to approximately RMB288.8 million for the year ended 31 December 2025. The sales volume of cylinder heads increased by approximately 44.2% from approximately 312,000 units for the year ended 31 December 2024 to approximately 450,000 units for the year ended 31 December 2025. The increase in revenue from sales of cylinder heads and sales volume was primarily due to an increase in demand for cylinder heads for new energy vehicles and the recovery in the commercial vehicle markets.

Sales of Ancillary Cylinder Block Components and Others

Segment revenue from sales of ancillary cylinder block components and others increased by approximately 1.4 times from approximately RMB26.9 million for the year ended 31 December 2024 to approximately RMB64.8 million for the year ended 31 December 2025. The sales volume of ancillary cylinder block components and others decreased by approximately 38.7% from approximately 326,000 units for the year ended 31 December 2024 to approximately 200,000 units for the year ended 31 December 2025. The increase in revenue from sales of ancillary cylinder block components and others was primarily attributable to higher sales of new, innovative and high-margin components to a core customer, while the Group strategically phased out low-value products, leading to a decline in sales volumes of ancillary cylinder block components.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 14.8% from approximately RMB101.3 million for the year ended 31 December 2024 to approximately RMB116.3 million for the year ended 31 December 2025, such increase was in line with increase in revenue. Meanwhile, the gross profit margin was stable at approximately 10.6% and approximately 10.5% for the years ended 31 December 2024 and 2025, respectively, despite higher raw material purchase prices during the period. This stability was achieved as the Group improved production efficiency and expanded production scale. The gross profit margin of the cylinder blocks increased from approximately 12.7% for the year ended 31 December 2024 to approximately 13.5% for the year ended 31 December 2025, which partially offset the decrease in gross profit margin of the cylinder heads from approximately 5.2% for the year ended 31 December 2024 to approximately 3.1% for the year ended 31 December 2025.



Management Discussion and Analysis

Other Income

Other income increased by approximately 39.7% from approximately RMB25.4 million for the year ended 31 December 2024 to approximately RMB35.4 million for the year ended 31 December 2025. This increase was primarily due to the Group recorded a gain on disposal of property, plant and equipment of approximately RMB8.0 million for the year ended 31 December 2025 as there was a loss on disposal of property, plant and equipment of approximately RMB0.1 million for the year ended 31 December 2024. The Group disposed certain obsolete or inefficient machinery and equipment after installing new advanced production lines.

Selling Expenses

Selling expenses increased by approximately 31.8% from approximately RMB13.2 million for the year ended 31 December 2024 to approximately RMB17.4 million for the year ended 31 December 2025. This increase was primarily attributable to an increase in the storage fees and after-sales service fees for the year ended 31 December 2025.

Administrative Expenses

Administrative expenses increased by approximately 1.9% from approximately RMB81.9 million for the year ended 31 December 2024 to approximately RMB83.5 million for the year ended 31 December 2025. The increase in administrative expenses was primarily attributable to an increase in research and development cost.

(Provision)/Reversal of impairment losses on trade receivables

The Group recognised impairment losses on trade receivables of approximately RMB1.9 million for the year ended 31 December 2025, as compared to reversal of an impairment losses on trade receivables of approximately RMB0.6 million for the year ended 31 December 2024. Such change was mainly attributable to an increase in the overdue balances.

Provision of impairment loss on other non-current assets

In 2019 and 2020, the Company entered into several agreements with a target company (the “**Target Company**”) and a vendor (the “**Vendor**”), which is the sole shareholder of the Target Company. The Target Company is mainly engaged in the design and manufacturing of power systems, braking systems, vehicle spare parts and components in the PRC. Pursuant to the agreements, the Company agreed to acquire 10.7% equity interests of the Target Company from the Vendor (the “**Transaction**”) at a consideration of EUR5.0 million, which the Group had paid EUR3.0 million as partial consideration, and offered a loan with principal amount of EUR2.0 million to the Target Company for operational use, which had been disbursed in full. As at 31 December 2025 and up to the date of this report, the Transaction has not yet been finalised due to the Target Company’s failure to update the register of the members in accordance with the Company Law in the PRC. As at 31 December 2025, the other non-current assets represent the payment made by the Group in relation to the Transaction.

Management Discussion and Analysis



During the year ended 31 December 2024, the Company initiated legal actions against the Target Company with a view to facilitating the re-negotiation with the Vendor and attempted to finalise the Transaction but no mutual agreement with the Vendor or the Target Company was reached. The Company then submitted an application for civil case proceedings at Hebei Province Shenzhou City People's Court* (河北省深州市人民法院) (the "**Shenzhou Court**") for claiming the loan principal amount of EUR2,000,000 from the Target Company. On 23 April 2025, a civil judgement was issued by the Shenzhou Court, pursuant to which the Target Company was ordered to repay the loan principal amount of EUR2.0 million together with an accrued interest of approximately RMB0.6 million. The Company received full settlement of the loan principal and the related interest on 30 May 2025.

On 5 June 2025, the Company filed a request for arbitration to China International Economic and Trade Arbitration Commission Shanghai sub-commission*(中國國際經濟貿易仲裁委員會上海分會) for claiming a refund of the consideration of EUR3.0 million and the relevant interest from the Vendor. The Company considered that the recoverability of the debt became uncertain and engaged an independent valuer to assess the valuation of the debt and recognised an impairment loss of approximately RMB7.0 million for the year ended 31 December 2025 as compared to the absence of such an impairment loss for the year ended 31 December 2024. Despite the recognition of the aforementioned impairment loss for accounting purposes, the Board wishes to emphasise that the Company has not waived its legal rights and will, in consultation with its legal advisers, pursue available legal avenues to recover, among others, the outstanding consideration from the Vendor.

Finance Costs

Finance costs increased by approximately 15.4% from approximately RMB10.7 million for the year ended 31 December 2024 to approximately RMB12.3 million for the year ended 31 December 2025, primarily due to an increase in the balance of interest-bearing borrowings.

Income Tax

Income tax expenses increased by approximately 2.0 times from approximately RMB2.1 million for the year ended 31 December 2024 to approximately RMB6.4 million for the year ended 31 December 2025, primarily due to an under-provision of the current tax in prior year amounting to approximately RMB2.2 million recognised during the year ended 31 December 2025, compared with the absence of such provision for the year ended 31 December 2024. As a result, the effective tax rate increased from approximately 10.0% for the year ended 31 December 2024 to approximately 21.7% for the year ended 31 December 2025.

Profit for the Year

As a result of the foregoing, the profit for the year increased by approximately 20.4% from approximately RMB19.3 million for the year ended 31 December 2024 to approximately RMB23.3 million for the year ended 31 December 2025. The net profit margin was maintained at approximately 2.0% and approximately 2.1% for the years ended 31 December 2024 and 2025.

Excluding the provision of impairment loss on other non-current assets, the profit for the year was approximately RMB30.3 million, representing an increase of approximately 56.7%, as compared with the profit for the year ended 31 December 2024.



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operation of the Group is primarily financed by cash generated from operating activities and interest-bearing borrowings. As at 31 December 2025 and 2024, cash at bank and on hand, denominated in Renminbi, of the Group amounted to approximately RMB29.4 million and approximately RMB57.5 million, respectively. The decrease in cash balance is due to a decrease in net cash generated from operating activities.

The Group monitors its cash flows and cash at bank and on hand balance on a regular basis and seeks to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities, as well as bank and other borrowings. Other than normal bank borrowings that the Group obtains from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

Trade and Bills Receivables

The net trade receivables and bills receivable increased by approximately 16.5% from approximately RMB257.6 million as at 31 December 2024 to approximately RMB300.1 million as at 31 December 2025. The increase was primarily in line with an increase in revenue for the year. The trade and bills receivables turnover day decreased from approximately 101 days as at 31 December 2024 to approximately 92 days as at 31 December 2025 due to major customers' promise to make payment within 30 days.

Trade and Bills Payables

The trade and bills payables decreased by approximately 19.7% from approximately RMB373.0 million as at 31 December 2024 to approximately RMB299.7 million as at 31 December 2025, primarily attributable to higher raw material prices, which prompted the Group to settle bills earlier in order to secure timely supply. The trade and bills payables turnover day decreased from approximately 139 days as at 31 December 2024 to approximately 124 days as at 31 December 2025.

Interest-bearing Borrowings and Charge on Assets

Interest-bearing borrowings increased from approximately RMB316.5 million as at 31 December 2024 to approximately RMB369.8 million as at 31 December 2025, of which approximately RMB252.2 million was secured by pledges over the property, plant and equipment and right-of-use assets of the Group. The aggregate amount of such pledged assets was approximately RMB273.8 million (2024: approximately RMB285.5 million).

Management Discussion and Analysis



All interest-bearing borrowings as at 31 December 2025 and 2024 were denominated in Renminbi at fixed or floating interest rate. The following table sets forth the amount of indebtedness of the Group as at the date indicated:

Repayment Schedule	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	165,948	175,777
After 1 year but within 2 years	157,390	106,810
After 2 years but within 5 years	46,419	33,900
Total	369,757	316,487

Gearing Ratio

The gearing ratio increased from approximately 31.8% as at 31 December 2024 to approximately 36.9% as at 31 December 2025, primarily attributable to an increase in interest-bearing borrowings of approximately RMB53.3 million for the year ended 31 December 2025 compared with the year ended 31 December 2024.

Gearing ratio equals total debt divided by total equity as at the end of the year. Total debt includes all interest-bearing borrowings.

Capital Expenditure

The capital expenditure of the Group was approximately RMB142.1 million for the year ended 31 December 2025 as compared with approximately RMB239.2 million for the year ended 31 December 2024. The capital expenditure incurred for the year ended 31 December 2025 was primarily related to the construction of new mechanical processing lines for the new products and purchases of additional equipment and machinery used for improvement of the existing production lines.

Capital Commitments

As at 31 December 2025, the capital commitments of the Group in respect of property, plant and equipment contracted for amounted to approximately RMB33.2 million as compared with approximately RMB43.4 million as at 31 December 2024.

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liabilities or guarantees (2024: Nil).

Fluctuation of Renminbi Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all interest-bearing borrowings are denominated and accounted for in Renminbi, except for certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect the fluctuation of Renminbi exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. Therefore, the Group has not engaged in any hedging transactions to manage the potential fluctuation in foreign currencies during the year ended 31 December 2025.



Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2025 (2024: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group has no other future plans related to the material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of 818 employees (2024: 745 employees). For the year ended 31 December 2025, the Group has incurred total staff costs of approximately RMB84.1 million (2024: RMB87.5 million), representing a decrease of approximately 4.0% as compared with that for the year ended 31 December 2024.

The Group believes its success depends on its employees' provision of consistent, high-quality and reliable services. Most of the Group's employees were working at the manufacturing plant in Shenzhou, PRC. In order to attract, retain and develop the knowledge and skill level of its employees, the Group places a strong emphasis on training for employees and provide continuous training for its staff. In addition, the Group offers a competitive remuneration package to retain elite employees, including basic salary and performance-based monthly and annual bonuses, and reviews the remuneration package annually according to industry benchmark, financial results of the Group as well as the individual performance of employees.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this report, there are no major subsequent events since the end of the reporting period and up to the date of this report, which would materially affect the Group's operating and financial performance.



Directors' Report

The Directors are pleased to submit the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Cayman Islands and its headquarter and its principal place of business is at Middle of East Taishan Road, Shenzhou, Hebei Province, the PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are design, development, manufacture and sale of cylinder blocks and cylinder heads as well as ancillary cylinder block components and others, to automobile manufacturers and engine manufacturers.

BUSINESS REVIEW

The business review of the Group during the year and a discussion on the Group's future business development are provided under the section headed "Management Discussion and Analysis" in this annual report.

KEY RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cylinder blocks and cylinder heads as well as ancillary cylinder block components and others. The business operation of the Group is exposed to a variety of risks including operational, financial and market risks. Details of the risks are set out below:

(i) Operational risks

The top five customers of the Group, which primarily include large automobile manufacturers and engine producers located in the PRC, accounted for approximately 81.4% of the total revenue for the year ended 31 December 2025. The largest customer of the Group accounted for approximately 38.6% of the total revenue for the year ended 31 December 2025. The largest customer for the year ended 31 December 2025 was an automobile manufacturer. The loss of a small number of our large customers, or the decrease in sales with one or more of these major customers, could have a significant adverse impact on our financial results.

(ii) Financial risks

The major financial risks faced by the Group are interest rate risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. The borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.



Directors' Report

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bill receivables is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to be low. The Group does not provide any guarantees which would expose the Group to credit risk.

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(iii) Market risks

The Group operates in a market characterized by evolving industry standards, frequent new product launches and updates, rapidly-developing technologies, and changing customer demands and expectations. The continuing popularity of our products depends on the ability of the Group to adapt to these rapidly-changing technologies and industry standards as well as our ability to continually innovate in response to evolving customer demands and expectations and intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and operating results.

With the rapid development of relevant technologies and a variety of policies issued by the government of the PRC to support the development of the new energy vehicle industry, new energy vehicles are likely to gain increasing acceptance and popularity in the future and resulting in encroaching on the market share of the traditional gasoline and diesel-powered vehicles. Currently, the traditional fuel vehicles still account for a significant share in the automobile market in the PRC. We would expect any significant decrease in demand for traditional fuel vehicles in the PRC would result in a corresponding decrease in sales of our existing products and the Group's operations and financial result would be materially and adversely affected. During the year, we have commenced the upgrading of new energy vehicle components plant and invested further resource to develop new products to be used for new energy vehicles in order to satisfy the market need.

The Group has put in place a set of internal control and risk management protocols to address various operational, financial and market risks. The risk management protocols and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in our operations. The Board has the general power to manage the operations and the overall risks of the Company and is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. After due consideration, the Directors are of the view that our current risk management measures are adequate and effective.



Directors' Report

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The Group upholds the concept of sustainable development and actively promotes environmental awareness among the staff of the Group.

The Company considers the employee, Shareholders, government and regulatory authorities, customers, business partners and the public and the community as the key stakeholders, and values highly the expectations and opinions from the stakeholders on environment protection. The Company has commenced multi-dimensional risk analysis, identified issues on the environment, society and importance of governance which are the concerns in our own development and of the relevant stakeholders, and an environmental, social and governance report has been published.

The Company has formulated the compliance procedures to ensure compliance with, in particular, the applicable laws, rules and regulations having material effect on the business operation of the Group. The relevant employees and the relevant operating entities will be informed of any changes in the applicable laws, rules and regulations from time to time.

For further relevant information regarding our performance on environment, society and governance during the year, please refer to the section headed "Environment, Social and Governance Report" in this annual report for details.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2025, the Group acquired additional property, plant and equipment of approximately RMB181.6 million (2024: RMB250.3 million). Details of the movements in property, plant and equipment during the year are set out in note 11 to the consolidated financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2025 are set out in note 20 to the consolidated financial statements.

RETIREMENT BENEFIT PLAN

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit plan managed by the PRC local government authorities for the Group's eligible employees in the PRC. In addition, the Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed in Hong Kong. Particulars of these retirement plans are set out in note 6(b) to the consolidated financial statements.



Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest and five largest customers for the year ended 31 December 2025 accounted for approximately 38.6% (2024: 31.5%) and approximately 81.4% (2024: 71.8%), respectively, of the Group's total revenue from sales operations. The relatively high concentration of revenue attributable to a few customers during the year was due to its current production capacity being dedicated to fulfilling orders from a limited number of established automobile manufacturers.

The aggregate purchases attributable to the Group's largest and five largest suppliers for the year ended 31 December 2025 accounted for approximately 20.6% (2024: 17.5%) and approximately 41.6% (2024: 47.7%), respectively, of the Group's total purchases.

To the best of the Directors' knowledge, none of the Directors or their respective close associates, and none of the existing Shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers and suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Further discussion of the key relationship with employees, customers and suppliers is set out in the section headed "Environment, Social and Governance Report" of this annual report.

FINAL AND INTERIM DIVIDEND

No interim dividend was declared and distributed for the six months ended 30 June 2025 (2024: Nil). The Board has resolved to recommend the payment of final dividend of 3.0 HK cents per ordinary share of the Company (the "**Share**") for the year ended 31 December 2025 (2024: 2.0 HK cents per ordinary share). No Shareholder of the Company has waived or agreed to waive any dividends.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

Determination Mechanism

Subject to the approval of the Shareholders and requirement of the relevant laws, the Company considers to pay dividends to the Shareholders if the Group is profitable, the market environment is stable and there is no significant investment or commitment made by the Group. The Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to the discretion of the Board, taking into consideration the criteria described below. The remaining net profits will be used for Group's development and operations. This dividend policy allows the Company to declare special dividends from time to time.

The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development planning, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's



Directors' Report

subsidiaries, as well as any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties.

Approval and Payment Procedures

Details of the procedures on dividend and other payments of the Company have been set out in Articles 133 to 142 of the Company's Articles of Association posted on the website of the Company.

Review and Monitor of this Policy

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the Cayman Islands laws and the Company's Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SHARE CAPITAL

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Wednesday, 17 June 2026. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of the AGM and form of proxy accompanying thereto to be published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.hbsgt.com>.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholder's entitlement to attend and vote at the AGM to be held on Wednesday, 17 June 2026, the register of members of the Company will be closed from Friday, 12 June 2026 to Wednesday, 17 June 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 June 2026, being the business day before the first day of closure of the register of members.

The Board has resolved on 31 March 2026 to recommend the payment of a final dividend of 3.0 HK cents per share for the year ended 31 December 2025 (2024: 2.0 HK cents) to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 30 June 2026. The register of members will be closed from Friday, 26 June 2026 to Tuesday, 30 June 2026, both days inclusive, and the proposed final dividend is expected to be paid on or before Friday, 4 September



Directors' Report

2026. The payment of dividends shall be subject to the approval of the shareholders of the Company at the AGM expected to be held on 17 June 2026. In order to qualify for the proposed dividend, shareholders of the Company should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 25 June 2026, being the business day before the first day of closure of the register of members.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements and in the section headed "Consolidated Statement of Changes in Equity" of this annual report, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2025, calculated in accordance with the Law of the Cayman Islands, amounted to RMB67.6 million (31 December 2024: RMB82.2 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2025 and up to the date of this report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company (including sale of treasury shares as defined under the Listing Rules). The Company did not hold any treasury shares as at 31 December 2025.

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this annual report were as follows:

Executive Directors

Mr. Meng Lianzhou (*Chairman*)
Ms. Meng Lingjin
Mr. Liu Zhanwen
Mr. Liu Enwang
Mr. Zhang Yuexuan

Independent Non-Executive Directors

Mr. Wan Ming
Mr. Ren Keqiang
Mr. Wong Tak Chun (appointed on 30 June 2025)
Mr. Yu Chun Kau (resigned on 30 June 2025)



Directors' Report

The biographical details of the Directors are disclosed in the section headed “Directors and Senior Management” in this annual report.

All the directors of the Company are subject to retirement by rotation as required by the Articles of Association of the Company. In accordance with Article 84(1) of the Articles of Association of the Company, Mr. Liu Enwang, Mr. Ren Keqiang and Mr. Wong Tak Chun will retire at the AGM to be held on Wednesday, 17 June 2026 and, being eligible, will offer themselves for re-election at the AGM.

SERVICE CONTRACTS WITH DIRECTORS

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 January 2025. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice to the other.

Mr. Ren Keqiang, Mr. Wan Ming and Mr. Wong Tak Chun as the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 11 December 2017, 30 July 2021 and 30 June 2025, respectively, which may be terminated by either party by giving not less than three months' written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

Apart from employment contracts of employees, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year or subsisted at the end of the year ended 31 December 2025.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors of the Company and five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements. The emoluments of the Directors and the salaries of the senior management are determined with reference to salaries paid by comparable companies, their respective time commitment, responsibilities and performance of the Group.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “Share Option Scheme” in this annual report below, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



Directors' Report

DIRECTORS' COMPETING INTERESTS

During the year and up to the date of this annual report, none of the Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the Group's business.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board comprises five executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") under Part 2 of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2025, the Company has fully complied with the Code Provisions, except for the following deviation.

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Meng Lianzhou currently performs the roles of chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board regularly reviews the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Save as disclosed above, the Company has strictly complied with the CG Code during the year ended 31 December 2025. Our Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2025.

Directors' Report



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) as recorded in the register of directors' and chief executive's interests and short positions required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules were as follows:

Name of Directors	Name of Group member	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Meng Lianzhou (“ Mr. LZ Meng ”) (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	5,044 shares of US\$1.00 each (L)	50.46%
Liu Zhanwen (“ Mr. ZW Liu ”) (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,432 shares of US\$1.00 each (L)	14.32%
Zhang Yuexuan (“ Mr. YX Zhang ”) (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	2,235 shares of US\$1.00 each (L)	22.36%
Liu Enwang (“ Mr. EW Liu ”) (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,286 shares of US\$1.00 each (L)	12.86%

Notes:

- (1) The letter “L” denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) These 411,042,000 Shares are held by Dragon Rise, the issued shares of which are owned as to approximately 50.46% by Mr. Meng Lianzhou, approximately 14.32% by Mr. ZW Liu, approximately 22.36% by Mr. YX Zhang and approximately 12.86% by Mr. EW Liu respectively. On 28 August 2017, Mr. Meng Lianzhou, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu entered into a concert party agreement to, among others, confirm their acting-in-concert agreement. Under the SFO, each of Mr. Meng Lianzhou, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu is taken to be interested in the Shares beneficially owned by Dragon Rise.

Directors' Report

Save as disclosed above, as at 31 December 2025, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO and based on the information available were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Dragon Rise	Beneficial owner	411,042,000 Share (L)	51.38%
Ms. Zhao Jingmei (趙敬梅) ("Ms. Zhao") (Note 2)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Meng Dongdong (孟冬冬) (Note 3)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Xiao Zhiru (肖智茹) (Note 4)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Wang Sujuan (王素娟) (Note 5)	Interest of spouse	411,042,000 Share (L)	51.38%
Radiant Path Holdings Limited ("Radiant Path")	Beneficial owner	67,868,000 Share (L)	8.48%
Mr. Wang Shiyong (王士英) ("Mr. Wang") (Note 6)	Interest of controlled corporation	67,868,000 Share (L)	8.48%
Ms. Yin Shujuan (尹淑娟) ("Ms. Yin") (Note 7)	Interest of spouse	67,868,000 Share (L)	8.48%
Great Ally Enterprises Limited ("Great Ally")	Beneficial owner	46,864,000 Share (L)	5.86%
Mr. Zhang Zhanbiao (張占標) ("Mr. ZB Zhang") (Note 8)	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Ms. Zhu Yunchuan (朱雲川) (Note 9)	Interest of spouse	46,864,000 Share (L)	5.86%

Directors' Report



Name of Shareholders	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Rosy Raise Limited ("Rosy Raise")	Beneficial owner	46,864,000 Share (L)	5.86%
Ms. Liu Meiling (劉美玲) ("Ms. ML Liu") (Note 10)	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Mr. Li Xunye (李訓業) (Note 11)	Interest of spouse	46,864,000 Share (L)	5.86%

Notes:

- (1) The letter "L" denotes a long position (as defined under Part XV of the SFO) in the Shares.
- (2) Ms. Zhao is the spouse of Mr. LZ Meng. Under the SFO, she is taken to be interested in the Shares in which Mr. LZ Meng is interested.
- (3) Ms. Meng Dongdong is the spouse of Mr. ZW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. ZW Liu is interested.
- (4) Ms. Xiao Zhiru is the spouse of Mr. YX Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. YX Zhang is interested.
- (5) Ms. Wang Sujuan is the spouse of Mr. EW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. EW Liu is interested.
- (6) These 67,868,000 Shares are beneficially owned by Radiant Path, which is wholly-owned by Mr. Wang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Radiant Path.
- (7) Ms. Yin is the spouse of Mr. Wang. Under the SFO, she is taken to be interested in the Shares in which Mr. Wang is interested.
- (8) These 46,864,000 Shares are beneficially owned by Great Ally, which is wholly-owned by Mr. ZB Zhang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Great Ally.
- (9) Ms. Zhu Yunchuan is the spouse of Mr. ZB Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. ZB Zhang is interested.
- (10) These 46,864,000 Shares are beneficially owned by Rosy Raise, which is wholly-owned by Ms. ML Liu. Under the SFO, she is taken to be interested in the Shares beneficially owned by Rosy Raise.
- (11) Mr. Li Xunye is the spouse of Ms. ML Liu. Under the SFO, he is taken to be interested in the Shares in which Ms. ML Liu is interested.

Save as disclosed above, as at 31 December 2025, other than the Directors and the chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" of this annual report, no person had interest or short position in the Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



Directors' Report

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2025, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the year ended 31 December 2025 other than the Share Option Scheme as set out in the section headed "Share Option Scheme" of this annual report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 11 December 2017. The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group's operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of 10 years commencing on its adoption date with a remaining life until 10 December 2027.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "**General Scheme Limit**"). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 80,000,000 Shares, representing 10% of the issued share capital of the Company as at that date. The Company may renew the General Scheme Limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the General Scheme Limit as at the beginning and end of the year under review are as below:

	As at 1 January 2025	As at 31 December 2025
Number of options granted	–	–
Number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the existing General Scheme Limit	80,000,000	80,000,000



Directors' Report

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme since its adoption and up to the date of this report. Accordingly, the number of Shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2025 divided by the weighted average number of Shares in issue is nil. No material matters relating to the Share Option Scheme were reviewed or approved by the Remuneration Committee during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, there was a sufficient public float of the issued shares of the Company as required under the Listing Rule.

INDEMNITY OF DIRECTORS

Under the Articles of Association of the Company, 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 Directors of the Company is currently in force and was in force throughout this year, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. During the year, no claims were made against the Directors.



Directors' Report

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 27 to the consolidated financial statements, no transactions, arrangements and contracts 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 his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under 31 December 2025 or at any time during the year ended 31 December 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Directors' Report – Service Contracts with Directors" in this annual report and note 8 to the consolidated financial statements, no Controlling Shareholder or any of its subsidiaries has any contract of significance (including contract of significance for the provision of services) with the Company or its subsidiaries during the year ended 31 December 2025.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

BOARD INDEPENDENCE

All the Directors have full and timely access to the information of the Company (including but not limited to financial reports, audit results and other relevant data) and are equipped with necessary professional advice in their decision-making process, the Board may, in appropriate circumstances, seek independent professional advice at the Company's expenses to assist them. Board members are also encouraged to seek inputs from other stakeholders in appropriate circumstances to ensure that different perspectives are taken into account in the decision-making process. There are formal or informal channels in place to ensure that independent views and inputs are available to the Board. During the year ended 31 December 2025, the Board has reviewed the mechanisms for ensuring independent views and considered that the implementation of the mechanisms was effective.

CONNECTED TRANSACTIONS

During the year ended 31 December 2025, the Group did not enter into or conduct any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group are set out in note 27 to the consolidated financial statements. None of the related party transactions disclosed in note 27 to the consolidated financial statements constitute connected transactions or continuing connected transactions (as defined in Chapter 14A of the Listing Rules) of the Company for the year ended 31 December 2025 that are required to be disclosed in accordance with Chapter 14A of the Listing Rules.



Directors' Report

DEED OF NON-COMPETITION

The Company has received the written confirmation from each of Dragon Rise, Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu (the “**Covenantors**”) in respect of the compliance with the terms of the non-compete undertaking (the “**Non-compete Undertaking**”), entered into between the Covenantors and the Company as set out in the section headed “Relationship with our Controlling Shareholders – Non-compete Undertaking” of the prospectus of the Company dated 19 December 2017 for the year ended 31 December 2025. Each of the Covenantors has confirmed and declared that he/it had strictly complied with the Non-compete Undertaking without any breach thereof. All the independent non-executive Directors had reviewed the matters relating to the enforcement of the Non-compete Undertaking and consider that the terms of the Non-compete Undertaking have been complied with by each of the Covenantors for the year ended 31 December 2025.

AUDITOR

KPMG has resigned as the auditor of the Company with effect from 28 November 2024 and Forvis Mazars CPA Limited (“**Forvis Mazars**”) has been appointed as the auditor of the Company with effect from 28 November 2024 immediately to fill the casual vacancy following the resignation of KPMG. Save for the above, there has been no change in the auditor of the Company during the last three years.

The consolidated financial statements for the financial year ended 31 December 2025 have been audited by Forvis Mazars, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

PUBLICATION OF THE ANNUAL REPORT

This annual report is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.hbsgt.com>.

On behalf of the Board
Ruifeng Power Group Company Limited
Meng Lianzhou
Chairman

Shenzhen, the PRC, 31 March 2026



Corporate Governance Report

The Company recognises the importance of corporate governance and is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence. The Board believes that good corporate governance practices are fundamental to the Company's development and essential for safeguarding shareholders' interests. The Company is continued to improving this practice and maintaining an ethical corporate culture.

The Board has applied the principles and complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules and has adopted the CG Code as its own corporate governance practices. Throughout the year ended 31 December 2025, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to Code Provision C.2.1 of the CG Code, the role of the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Meng Lianzhou currently performs the roles of chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Save as disclosed above, the Company has strictly complied with the CG Code during the year ended 31 December 2025. Our Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year.

Board of Directors

The Board's primary role is to enhance the Company's shareholders value. The directors, individually and collectively, must act in good faith in best interest of the Company to achieve sound returns for its shareholders. The Chairman of the Board provides leadership for the Board and he is responsible for the overall management of the Board and monitoring the Group's business strategies.

The Board has established three Board committees, being the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”), and the nomination committee (the “**Nomination Committee**”) (each a “**Board Committee**” and collectively the “**Board Committees**”), to oversee different areas of the Company's affairs. The Board currently has eight Directors comprising five executive Directors and three independent non-executive Directors. The composition of the Board during the year ended 31 December 2025 and up to date of this annual report is as follow:

Executive Directors:

Mr. Meng Lianzhou (*Chairman and Chief Executive Officer*)

Ms. Meng Lingjin

Mr. Liu Zhanwen

Mr. Liu Enwang

Mr. Zhang Yuexuan

Corporate Governance Report



Independent Non-executive Directors:

Mr. Wan Ming
Mr. Ren Keqiang
Mr. Wong Tak Chun (appointed on 30 June 2025)
Mr. Yu Chun Kau (resigned on 30 June 2025)

Mr. Wong Tak Chun has obtained the legal advice on 29 June 2025 referred to in Rule 3.09D of the Listing Rules and has confirmed that he understood his obligations as a director of the Company.

Their biographical details are set out in the section headed “Directors and Senior Management” in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company’s website.

Save as disclosed in this annual report, there is no financial, business, family or other material/relevant relationships among the members of the Board and between members of the Board and senior managers.

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 January 2025. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months’ written notice to the other.

Mr. Ren Keqiang, Mr. Wan Ming and Mr. Wong Tak Chun as the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 11 December 2017, 30 July 2021 and 30 June 2025, respectively, which may be terminated by either party by giving not less than three months’ written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months’ written notice to the other.

Responsibilities, Accountabilities and Contributions of the Board and Management

The functions and duties of the Board include but are not limited to: convening Shareholders’ general meetings and reporting the Board’s work at the Shareholders’ general meetings; implementing the resolutions passed at the Shareholders’ general meetings; provides direction to the management by laying down strategies and overseeing their implementation; monitors the Group’s operational and financial performance to ensures that sound internal control and risk management systems are in place; and exercising other power, functions and duties as conferred by the Company’s Articles of Association.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

The Board conducts regular evaluations of its performance. The evaluation is designed to assess the Board’s accountability, transparency and effectiveness, with a view to identifying areas for improvement and promoting the continuous enhancement of governance practices. The scope of the evaluation encompasses, among other things: (i) Board composition and the mix of skills and experience; (ii) the working relationship between the Board and management; and (iii) the quality of information provided to, and the timeliness of decision-making by, the Board.

Corporate Governance Report

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with reasonable care, skill and diligence, in pursuit of the development of the Company. The newly appointed Director receives a formal and tailored induction to ensure that he has a proper understanding of the business and operations of the Company and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements. The Company has from time to time provided information and updates to the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements so as to ensure the Directors are in compliance with good corporate governance practices.

During the year ended 31 December 2025, to assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors have participated in continuous professional development programmes such as external seminars organized by qualified professionals. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements were provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

The training records of individual Directors in the continuous professional during the year ended 31 December 2025 have been provided to the Company and are summarised as follows:

Name of Director	Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Meng Lianzhou	✓	✓
Ms. Meng Lingjin	✓	✓
Mr. Liu Zhanwen	✓	✓
Mr. Liu Enwang	✓	✓
Mr. Zhang Yuexuan	✓	✓
Independent Non-executive Directors		
Mr. Ren Keqiang	✓	✓
Mr. Yu Chun Kau (resigned on 30 June 2025)	✓	✓
Mr. Wan Ming	✓	✓
Mr. Wong Tak Chun (appointed on 30 June 2025)	✓	✓

Each of the Directors had participated in continuous professional development as required under Rules 3.09F and 3.09G of the Listing Rules during 2025. Mr. Wong Tak Chun, who was appointed to the Board on 30 June 2025, had participated in CPD as required under rule 3.09H during 2025.

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors who possess various industry expertise is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

Corporate Governance Report



In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company. Based on the contents of such confirmations and taking into account the factors set out in Rule 3.13 of the Listing Rules, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board has established three committees to oversee different aspect of the Company's affairs, including the Audit Committee, Nomination Committee, and Remuneration Committee. These Board Committees has been structured to include a majority of independent non-executive director as members in order to ensure that all relevant issues are reviewed independently and objectively. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Code D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting, oversee the internal control and risk management systems of our Company.

At present, the Audit Committee comprises Mr. Wong Tak Chun, Mr. Wan Ming and Mr. Ren Keqiang, all being independent non-executive Directors. Mr. Wong Tak Chun is the chairman of our Audit Committee.

The Audit Committee held three meetings during the year. The Audit Committee has reviewed, among other things, the financial statements of the Company for the six months ended 30 June 2025 and the year ended 31 December 2025, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, made recommendations to the Board on the change of the Company's external auditors, and selection and appointment of the external auditors. It is confirmed that there is no disagreement between the Board and the Audit Committee's view on the change of external auditor, and they both agreed to recommend the re-appointment of Forvis Mazars as the Company's external auditor for the ensuing year at the 2025 AGM of the Company. The Audit Committee considered that the annual report for 2025 and financial statements of the Company have complied with the Listing Rules and the applicable accounting standards and the Company has made appropriate disclosure thereof.



Corporate Governance Report

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with Code E.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary functions of our Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, to ensure that their compensation arrangements are determined in accordance with relevant contractual terms, and that no Director determines his or her own remuneration.

At present, the Remuneration Committee comprises one executive Director, namely Mr. Meng Lianzhou, and two independent non-executive Directors namely Mr. Ren Keqiang and Mr. Wong Tak Chun. Mr. Ren Keqiang is the chairman of our Remuneration Committee.

The Remuneration Committee held two meetings during the year. The Remuneration Committee has reviewed and approved the remuneration package of the executive Directors, the remuneration policy and structure relating to the Directors and senior management of the Company (include assessing performance of executive Directors, approving the terms of executive Directors' service contracts and making recommendations on employee benefit arrangements). It was satisfied with the remuneration packages of the Directors and senior management, and recommended the same to the Board for approval. The Remuneration Committee has adopted the first model described in Code Provision E.1.2(c) (i.e. to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management).

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of the Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2025 are set out in note 8 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. The remuneration of the senior management by band for the year ended 31 December 2025 is as follows:

Remuneration band (RMB)	Number of individuals
0 – 1,000,000	3
Above 1,000,000	–

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with Code B.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, such written terms of reference are available on the Stock Exchange website and the Company's website. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of

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independent non-executive Directors; to identify individuals suitably qualified as potential Board members and to select or make recommendations to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of the Directors.

At present, the Nomination Committee comprises one executive Director, namely Ms. Meng Lingjin, and two independent non-executive Directors namely Mr. Wan Ming and Mr. Wong Tak Chun. Mr. Wan Ming is the chairman of the Nomination Committee.

The Nomination Committee held two meetings during the year. The Nomination Committee has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors, each Director's time commitment and contribution to the Board, each Director's ability to discharge his or her responsibilities, and reviewing and recommending the appointment of an executive Director and the re-appointment of the retiring Directors at the general meeting of the Company.

The nomination committee considered that each Director gave sufficient time and attention to the affairs of the Company and undertook his or her responsibilities effectively during 2025, with regard to the following:

- Directors' skills and experiences;
- each Director's role and positions at the Company and its subsidiaries, as well as his or her external directorships or offices in other companies or organisations and/or other major commitments; and
- each Director's attendance record at the board and committee meetings of the Company (see the Board Meetings section of the Corporate Governance Report) and its subsidiaries during the year.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors and aims to sure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company.

1. Selection Criteria

- (a) 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 officer.
- (b) In assessing the suitability of a proposed candidate, the Nomination Committee may make reference to certain criteria such as the Company's need, the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in automobile, automobile engine and automobile engine spare part industry and/or other professional areas, the amount of time and effort that the candidate will devote to



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discharge his/her duties and responsibilities and, in case of independent non-executive director, the independence requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), and seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

- (c) Where necessary, the Nomination Committee should seek independent professional advice to access a wider range of potential candidates.
- (d) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.
- (e) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board, setting out clearly the expectations of him/her in terms of time commitment, committee service and involvement outside board meetings.

2. Nomination Procedures

The secretary of the Nomination Committee shall invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members.

Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board may revoke or terminate any of the appointment of a managing director, joint managing director or deputy managing director in accordance with Article 87 of the articles of association of the Company.

A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director" posted on the website of the Company.

3. Review and Monitor of this Policy

- (a) The Nomination Committee shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

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- (b) The Nomination Committee shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.
- (c) The Nomination Committee shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2.1 of the CG Code.

The Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors

During the year ended 31 December 2025, the Company convened a general meeting, four Board meetings, three meetings of the Audit Committee, two meetings of the Remuneration Committee and two meetings of the Nomination Committee.

The attendance record of each of the current Directors at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2025 is set out in the table below. The Directors did not authorise any alternate Director to attend Board or Board Committee meetings.

Name of Directors	Attendance/Number of Meetings				General Meeting
	Audit Committee	Remuneration Committee	Nomination Committee	Board	
Mr. Meng Lianzhou	N/A ^(Note)	2/2	1/2 [#]	4/4	1/1
Ms. Meng Lingjin	N/A ^(Note)	N/A ^(Note)	1/2 [*]	4/4	N/A ^(Note)
Mr. Liu Zhanwen	N/A ^(Note)	N/A ^(Note)	N/A ^(Note)	4/4	1/1
Mr. Zhang Yuexuan	N/A ^(Note)	N/A ^(Note)	N/A ^(Note)	4/4	1/1
Mr. Liu Enwang	N/A ^(Note)	N/A ^(Note)	N/A ^(Note)	4/4	1/1
Mr. Wan Ming	3/3	N/A ^(Note)	2/2	4/4	1/1
Mr. Ren Keqiang	3/3	2/2	N/A ^(Note)	4/4	1/1
Mr. Wong Tak Chun [*]	2/3	N/A ^(Note)	N/A ^(Note)	2/4	N/A ^(Note)
Mr. Yu Chun Kau [#]	1/3	1/2	1/2	2/4	1/1

Note: The Director was present at the relevant Board Committee meeting as a non-voting participant.

* Appointed on 30 June 2025

Resigned on 30 June 2025



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Board Meetings

Meetings of the Board of Directors shall be held at least four times each year when required to discuss significant events and issues. The meetings shall be convened by the chairman of the Board of Directors. Notice of at least 14 days shall be given. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorisation. Directors attending Board meetings on behalf of other directors shall exercise their power as directors within their scope of authorisation. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Questions arising at any meetings of the Board of Directors shall be determined by a majority of votes. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

All Directors are given an opportunity to include matters in the agenda for Board Meetings.

The chairman holds meetings with the independent non-executive directors without the presence of other directors annually.

Board Diversity Policy

The Board adopted a board diversity policy (the “**Board Diversity Policy**”) which aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- at least 1/3 of the members of the Board shall be independent non-executive directors;
- at least one of the independent non-executive directors of the Board shall have obtained accounting or relevant financial management professional qualifications; and
- at least 50% of the members of the Board shall have 7 years or more of experience in the industry he/she is specialised in.
- maintaining at least one director of each gender

The Board currently includes one female director and will continue to take steps to enhance gender diversity. The principle of Director’s appointments will be based on meritocracy, and candidates will be considered against objective criteria, taking into account factors based on the own business model and special needs from time to time, and with due regard to the benefits of diversity on the Board and also the needs of the Board.

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The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management. In recognising the importance of gender diversity and to develop a pipeline of potential successors to the Board to achieve gender diversity, the Company is committed to providing career development opportunities for female staff and to engaging more resources in training the female staff with an aim to promoting them to the position of senior management or Director. The Company will also continue to recruit female talents based on the recruitment policy and with reference to the Board Diversity Policy as a whole.

To ensure gender diversity of the Board, the Nomination Committee will continue and from time to time identify suitable candidates of both genders to the Board to be appointed as Directors. To allow the Shareholders to be able to judge whether board diversity is achieved, we will provide the Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of the Company.

The Nomination Committee will review the Board Diversity Policy on an annual basis, assess its effectiveness and, where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee considered that an appropriate balance of diversity perspective of the Board is maintained during the year ended 31 December 2025. Based on the review by the Nomination Committee, the Board considered that the Company has achieved the measurable objectives set for implementing the board diversity policy for the year ended 31 December 2025.

The following table outlines the collective expertise and experience of the board:

	Leadership & strategy	People management	Industry and market knowledge	Accounting professionals	Tax and corporate
Executive Directors					
Mr. Meng Lianzhou (Chairman)	●	●	●		
Ms. Meng Lingjin	●	●	●		●
Mr. Liu Zhanwen	●	●	●		●
Mr. Liu Enwang	●	●	●		
Mr. Zhang Yuexuan	●	●	●		
Independent Non-executive Directors					
Mr. Wan Ming	●	●	●		
Mr. Ren Keqiang	●	●			●
Mr. Wong Tak Chun	●	●		●	●



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The current Board composition reflects a balanced mix of skills including leadership and strategy, people management, industry and market knowledge, research and higher education, accounting professionals, legal professionals and tax and finance management. This diverse blend of professional backgrounds, experiences and perspectives supports the purpose, strategic priorities and values of the Company, while reinforcing a strong governance culture. The Board is satisfied that it possesses the appropriate mix of skills, experience and diversity to support the strategic direction and governance needs of the Company.

Workforce Diversity

The Company also considers relevant factors in the recruitment and selection of key management and other personnel, and strives to maintain gender diversity.

As at 31 December 2025, the senior management of the Company (excluding Directors) comprised 2 male and 1 female members. As at 31 December 2025, male and female staff accounted for 82.2% and 17.8% of all staff (excluding the senior management and directors) of the Company, respectively. The Company will continue to maintain gender diversity among all its staff as the goal and review its policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Upon specific enquiry, all of the Directors confirmed that they have complied with the relevant provisions set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the year ended 31 December 2025.

Company Secretary

Mr. Lai Wai Leuk was appointed as the company secretary of the Company (the "**Company Secretary**") with effect from 4 November 2024 due to the need to devote more time for his other commitments. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year. Mr. Lai has taken not less than 15 hours of relevant professional training during the year ended 31 December 2025.

Mr. Lai reports to the chairman. All Directors have access to the advices and services of Mr. Lai on corporate governance and board procedures.

The biographical details of Mr. Lai are set out under the section headed "Directors and Senior Management" in this annual report.

Financial Reporting

The Board acknowledges its responsibility to prepare the consolidated financial statements of the Group which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Companies Ordinance (Chapter



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622 of the Laws of Hong Kong). The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

Internal Controls and Risk Management

The Board acknowledges its responsibility for the risk-management and internal control system, with the internal audit department and staffing in place, and reviewing their effectiveness and adequacy. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board have put in place a set of internal control and risk management protocols to address various operational, financial, legal, market and ESG risks identified in relation to our operations, including but not limited to procurement and sales management, inventory management, research and development management, credit risk, liquidity risk, foreign exchange risk, human resources risk management, and various other financial and operational control and monitoring procedures. The risk management protocols and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in our operations, and to resolve material internal control defects. The Board has the general power to manage our operations and is responsible for the risk management and internal control systems and reviewing their effectiveness. After due consideration, Directors are of the view that our current risk management and internal control systems are adequate and effective.

The management of the Company has established a set of comprehensive structure, standards and procedures in areas of operational, financial, legal and market risks for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records and a sound cash management system; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Board reviews the risk management and internal control systems annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

Also, the Company has an internal audit function to carry out the analysis and independent appraisal of the effectiveness of the Group's risk management, internal control systems and perform an internal audit procedure which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2025. The assessment report was reviewed by the Audit Committee and the Board. In conducting the annual review, the Board has in particular considered the changes in the nature and extent of significant risks (including ESG risks) and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of risks and of the internal control systems and the work of the internal audit function, the extent and frequency of communication of monitoring results to the Board and the Audit Committee, whether any significant control failings or weaknesses were identified during the period, and the effectiveness of the Group's processes for financial reporting and Listing Rule compliance. The Board has conducted a review of, and is satisfied



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with the adequacy and effectiveness of the risk management and internal control systems and the internal audit function for the year ended 31 December 2025.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, senior management, officers and relevant employees in handling confidential information and monitoring information disclosure.

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal trainings and require all suppliers to execute anti-corruption commitments before engagement.

Whistleblowing Policy

We have maintained a whistleblower mechanism to encourage the internal reporting of suspicious activities. The purpose of this mechanism is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Company; and (ii) promote the importance of ethical behaviour and encourages the internal reporting of misconduct, unlawful and unethical behavior. The nature, status and the results of the complaints received under the whistleblower mechanism are reported to the audit committee as mentioned above. No incident of fraud or misconduct that have material effect on the Company's financial statements or overall operations for the year ended 31 December 2025 has been discovered.

External Auditor

KPMG has resigned as the auditor of the Company with effect from 28 November 2024 as the Company and KPMG could not reach a consensus on the fee for the audit of the consolidated financial statements of the Group for the financial year ending 31 December 2025.

Forvis Mazars was appointed as the external auditor of the Company by the Directors on 28 November 2024 and re-appointed until the next annual general meeting. In order to maintain their independence, objectivity and effectiveness in performing the audit services, the Audit Committee pre-approved all audit services and discussed with Forvis Mazars the nature and scope of the audit services. Forvis Mazars is primarily responsible for providing audit services in connection with the annual consolidated financial statements.

For the year ended 31 December 2025, the fees payable to Forvis Mazars in respect of its annual audit services provided to the Company was RMB1.3 million.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year.

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Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

1. Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Extraordinary general meetings may be convened by directors on 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 carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Company Secretary by mail to Room 602, 6/F, Ha Lung Building, 25-29 Ko Shing Street, Sui Ying Pun, Hong Kong, to require an extraordinary general meeting to be called by the Directors 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 twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

2. Right to Put Forward Proposals at General Meeting

Shareholder(s), individually or collectively holding 3% or more of the shares carrying the right to vote at the meeting shall have the right to make proposals to the Company and may submit interim proposals and submit them to the convenor in written form 10 days before the convening of the general meetings. The convenor shall, within 2 days after receipt of the proposal, issue a supplementary notice about the said meeting, to publicize the contents of provisional proposals.

3. Putting Forward Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals to the attention of the company secretary of the Company at its principal place of business in Hong Kong at Room 602, 6/F, Ha Lung Building, 25-29 Ko Shing Street, Sai Ying Pun, Hong Kong or email to rfhkl@hbsgt.com.

Investor Relations

The Company endeavours to maintain an on-going dialogue with Shareholders.

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hbsgt.com providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, with a view to enabling the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company. Having considered the above communication channels and the timely dissemination of corporate information during the year ended 31 December 2025, the Board has reviewed the shareholder communication policy and confirmed its effectiveness.



Corporate Governance Report

Constitutional Documents

With a view to complying with the applicable laws and procedures of the Cayman Islands and the Listing Rules and making certain housekeeping amendments, the Company has adopted the second amended and restated Memorandum of Association and third amended and restated Articles of Association of the Company by special resolution passed on 29 May 2024. Details of the amendments were disclosed in the circular of the Company dated 26 April 2024. Save for the above, there was no change in the Memorandum of Association and Association of Articles of the Company during the year ended 31 December 2025.

The second amended and restated Memorandum of Association and third amended and restated Articles of Association of the Company is available on the websites of the Stock Exchange and the Company.

Environment, Social and Governance Report



ABOUT THIS REPORT

This is the Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) of Ruifeng Power Group Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2025, which outlines the principles and sustainability philosophy of the Group in fulfilling its corporate social responsibility (“**CSR**”) and illustrates the relationship between the Group and its major stakeholders with a vision and commitments for its CSR. The Board and all directors of the Company assure that this ESG Report is free from any false record, misleading representation or material omission, and are individually and collectively responsible for the truthfulness, accuracy and completeness of the content set out herein.

Scope of the ESG Report and Reporting Boundary

The Group is principally engaged in the design, development, manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others. The data disclosed in the ESG Report was collected from the main office and the production plants of Hebei Ruifeng in the PRC. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

This ESG Report covered all major subsidiaries of the Group which are set out in note 14 to the financial statements for the year ended 31 December 2025. The majority of the Group’s revenue derives from one operating PRC subsidiary, which is Hebei Ruifeng Technology Co., Ltd (“**Hebei Ruifeng**”).

During the year ended 31 December 2025 (the “**Reporting Period**”), the Group continued to improve its performance in fulfilling its CSR through diversified measures. The ESG Report provides details of the Group’s policies and practices in two aspects namely environmental and social for the Reporting Period.

Basis of Preparation

The Group has prepared the ESG Report pursuant to the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix C2 to the Listing Rules. The ESG Report adheres to the reporting principles of the ESG Reporting Guide, and complies with the “Mandatory Disclosure Requirements” and “Comply or Explain” provisions therein.

Reporting Principles

This report has been prepared based on the following principles:

Materiality: In identifying material ESG factors, the Group considered the nature of its business, applicable industry and regulatory requirements, and feedback from key stakeholders including shareholders, customers, suppliers, employees and government authorities gathered through channels such as general meetings, customer feedback, supplier assessments and employee surveys.

Quantitative: The Group makes quantitative disclosure of the key performance indicators with historical data in the areas of “environmental” and “social” according to the requirements of the “Key Performance Indicators” in the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules, makes quantitative disclosure of forward-looking information such as targets as much as possible, and will gradually improve the statistical process to achieve full disclosure in the future.



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Balance: This ESG Report objectively, fairly and truly discloses the Group's work performance and practice in environmental and social matters in 2025, and discloses the problems encountered and improvement measures in a responsible manner.

Consistency: The Group adopts a consistent methodology for the assessment of the key performance indicators. In this ESG Report, we have maintained the same statistical method for the information as disclosed in the previous year's report. For the information disclosed for the first time, the Group will adopt a consistent statistical method for ESG information disclosure in subsequent years, in order to facilitate meaningful comparisons from year to year.

Access of the ESG Report

The electronic version of this ESG Report is available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.hbsgt.com).

Contact Information

We highly appreciate and welcome your feedback and comment on the ESG Report which may help us better safeguard stakeholder's interests and implement our sustainability initiatives. For any enquires or recommendations, please contact the Group by mail to Room 602, 6/F, Ha Lung Building, 25-29 Ko Shing Street, Sai Ying Pun, Hong Kong or email enquiry to rfhk1@hbsgt.com.

STATEMENT BY THE BOARD

The Group recognises the importance of sound corporate governance and risk management processes, including the management of ESG matters that are crucial to the sustainability of the Group. The Board, as the highest responsible and decision-making body for ESG matters, assumes full responsibility for the Group's ESG strategy and reporting. The Board conducts regular reviews on the completion of the targets and reassess the strategies and action plans for achieving the annual targets.

The Board is responsible for monitoring the Group's ESG work, identifying and managing ESG-related opportunities and risks, as well as determining material ESG issues for the year. Based on the external environment and the Group's development strategy, the Group identified several key ESG issues, including but not limited to employees' rights and training as well as customer responsibility, which enables us to clarify our work priorities. The Group also strives to promote sustainable development by giving back to the society with practical actions. In the future, the Group will continue to adjust the strategy and promotion method of sustainability management according to the expectations of stakeholders and our actual operation, so as to continuously improve the level of sustainability.

This ESG Report disclosed details of the progress and effectiveness of the Group's ESG work in 2025. The Board and all directors of the Company assure that this ESG Report is free from any false record, misleading representation or material omission, and are individually and collectively responsible for the truthfulness, accuracy and completeness of the content set out herein.

Environment, Social and Governance Report



I. ESG RESPONSIBILITY MANAGEMENT

The Group's ESG Strategy

Ensuring the health and safety of our customers and employees is a due responsibility of our business activities and an important cornerstone of our sustainable development. We will insist on equality between employees and employers, pay attention to staff training and development, and emphasize the welfare of our employees and the rights of our customers, so as to contribute to the healthy and orderly operation of the socialist market economy and promote sustainable development.

Creating a harmonious and beautiful environment is the embodiment of an enterprise's social responsibility. Environmental protection is also one of the Group's key missions. We are committed to minimizing the impact of our production activities on the environment by adopting environmentally friendly technologies and materials to reduce energy consumption and emissions. At the same time, we also actively participate in environmental protection projects to promote green and low-carbon development, helping to realize a harmonious coexistence between people and their environment.

It is an undeniable responsibility of an enterprise to shoulder social responsibility and contribute to the society in the process of enterprise development. The Group always adheres to the social responsibility ideal of "Giving back to the society what we received from the society", and actively participates in public welfare and charitable undertakings.

The Group continues to make progress in terms of sustainability, actively integrating environmental and social responsibility into its internal management system to build an enterprise that engages in environmental protection and social harmony. We emphasize the relationship among our development, environmental protection, and social benefits, helping to realize a win-win situation for the enterprise's development and ecological and environmental protection in an orderly manner, and, within the scope of its capability, fulfills corporate responsibility and enhances its ESG performance by conscientiously assuming environmental and social responsibility.

The Group's ESG Governance Structure

The Group has established an ESG governance structure which includes the following:

The Board is the highest responsible and decision-making body for ESG matters and is fully accountable for the Group's ESG strategy and reporting. The Board is responsible for formulating the Group's sustainable development strategy, identifying sustainable development objectives and overseeing ESG-related matters, and plays a leading role in the Group's ESG efforts. In evaluating and prioritising material ESG-related issues, the Board considers the potential impact of each issue on the Group's business operations and stakeholders, taking into account the nature of the Group's operational activities, regulatory requirements and the results of stakeholder engagement, and determines appropriate measures to manage the identified ESG risks accordingly. The Board reviews progress against its annual ESG targets on a regular basis by reference to quantitative performance data provided by the relevant departments, and assesses whether adjustments to the Group's action plans are required. The Group's ESG targets are set with reference to its core manufacturing operations, covering areas such as energy consumption, emissions reduction, workplace safety and employee development that are directly relevant to the Group's business. Board is also responsible for overseeing the Group's stakeholder surveys, identifying and managing ESG opportunities and risks, and identifying material ESG issues for the year.



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Among the key executive departments, the safety and environmental protection department is responsible for employee safety and environmental protection, ensuring that the Company's production and operations comply with safety and environmental standards. The general management department is responsible for shaping our community image and organizing employee training to improve the overall employee quality and our business standards.

Stakeholders' Communication

The Group attaches great importance to communication with stakeholders. The Group has identified the key stakeholders, including shareholders, government and regulatory authorities, employees, customers business partners, the public and the community. We have been responding to the expectations of our key stakeholders through multiple channels of communication as follows.

Major Stakeholders	Communication Channels	Expectations
Shareholders	<ul style="list-style-type: none"> Annual general meeting and other shareholder meetings Annual report and interim report Announcements and circulars The Company's website Meeting with investors 	<ul style="list-style-type: none"> Return on investment Information disclosure and transparency Protection of shareholders' rights and fair treatment of shareholders
Government and regulatory authorities	<ul style="list-style-type: none"> Policy guidance Response to public consultation in writing Meetings 	<ul style="list-style-type: none"> Compliance with laws and regulations Implementation of relevant regulatory policies, such as production safety, environmental protection and social responsibility Proper tax payment
Employees	<ul style="list-style-type: none"> Regular meetings and training Performance assessment Staff newsletters and broadcasts Labour union 	<ul style="list-style-type: none"> Salary and welfare Safe working environment Fair career development opportunities
Customers	<ul style="list-style-type: none"> Regular meetings Site visit Exhibition Email 	<ul style="list-style-type: none"> High quality products and services Group reputation and brand image
Business partners	<ul style="list-style-type: none"> Business partner meetings Site visit Email Tendering process Purchase review 	<ul style="list-style-type: none"> Long-term partnership Win-win cooperation Fair purchase Timely payment
The public and the community	<ul style="list-style-type: none"> Site visit Email Public newsletters and broadcasts 	<ul style="list-style-type: none"> Community visit Donation

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Material Issues

The Group attaches great importance to communication with stakeholders and has established an efficient communication and feedback mechanism to listen to the views and suggestions of stakeholders, including its shareholders, government and regulatory authorities, employees, customers business partners, members of the public and the community through different channels, and to identify the feedback and expectations of each stakeholder on the Group, so as to enhance the Group's ESG performance and respond to the needs of various parties in an effective manner.

The Group focused on the following topics during the Reporting Period:

Material Issues		
Product quality	Customer responsibility	Health and safety
Responsible supply chain management	Consumer protection	Employee rights
Employee training	Core values of the corporate and its employee	Environmental management

II. SUSTAINABLE OPERATION

Anti-corruption

In order to promote the Group's anti-corruption work in-depth, further standardize the mechanism of accountability, ensure the comprehensive implementation of the responsibility system of the Party conduct and of an honest and clean administration, as well as maintain the normal production and operation order of the enterprise, we are determined to eliminate "micro corruption" and "soft corruption" in the process of business development. In particular, the Group has formulated the "Administrative Measures on Behavioural Restraints and Accountability of Cadres" (the "**Measures**"), which sets out clear regulations on the daily behaviour of cadres to ensure their compliance with laws, regulations and professional ethics and their construction of a positive image as a role model. The Group strictly complies with the Anti-Money Laundering Law, Anti-Unfair Competition Law and Criminal Law of the People's Republic of China and other relevant laws and regulations.

The Measures set out in detail the code of conduct which cadres should comply with when discharging their duties and the corresponding responsibilities and consequences in the event of disciplinary violations. This will help guide cadres to develop a correct perspective on power, status and interests, enhance their sense of self-discipline and the rule of law, and consciously safeguard the interests and image of the enterprise. In order to ensure the effective implementation of the Measures, the Group has also set up "Problem Reporting Suggestion Box" in the factory to provide employees with a convenient channel to promptly reflect and report the problems and violations of regulations of cadres at work, which helps identify and rectify problems in a timely manner and safeguards the normal operation of the enterprise and the legitimate rights and interests of the employees. The suggestion box is checked regularly by designated personnel and any reports received are investigated and followed up by management.

We cover anti-corruption related topics in our regular training for employees, including our directors. In addition, in order to further strengthen the cadres' integrity awareness and their ability to resist corruption, the Group will invite external experts to conduct specialized training, with the aim of enhancing cadres' awareness of the rule of law and improving their ability to exercise self-restraint,



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achieve self-discipline and comply with the law. The above policies and measures also apply to the prevention of extortion and fraud. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to bribery, extortion, fraud or money laundering.

Through the implementation of the above measures, we expect to create a clean and honest working environment for the Group and ensure the healthy, stable and sustainable development of the Group. At the same time, we will continue to step up our supervision and inspection efforts and improve the accountability mechanism to ensure that our anti-corruption work achieves an actual outcome.

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Supply Chain Management

The Group recognizes the importance of supply chain management in improving operational efficiency. Hence, we cooperate closely with our suppliers in order to meet customers' needs in an efficient manner and continue to put emphasis on responsible business conduct. The Group purchases raw materials and key components from third-party suppliers (whose headquarters are located in the PRC) that are selected in accordance with the relevant requirements of supply chain management. The environmental and social risk factors of suppliers will be fully considered in addition to quality, reputation, price and other factors when selecting suppliers. In addition, some of our supply arrangements for materials or goods involve the customers themselves or their designated suppliers. As at the end of the Reporting Period, all of our suppliers were in the PRC.

The Group's five largest suppliers mainly comprise rough cast cylinder blocks and cylinder heads sourced from automobile and engine manufacturers, as well as steel producers. The Group maintains good cooperation with the above five largest suppliers and does not rely on any single supplier for the provision of raw materials or key components.

The suppliers play a crucial role in the supply chain and are categorized into three main groups, namely equipment suppliers, material suppliers and service suppliers. To ensure the stability and efficiency of the supply chain, the selection of suppliers is especially important. In selecting our suppliers, we comply with a set of stringent standards and principles:

The price of the supplier	We secure the most competitive prices through bidding competitively.
The stability and consistency of the supply chain	We prefer to work with suppliers that provide relatively concentrated services to ensure the stability and consistency of the supply chain.
The quality of services provided by the supplier	High-quality services can ensure the smooth operation of the supply chain and reduce unnecessary hassles and delays.
Other considerations	We comprehensively consider a supplier's financial status, product research and development capability, level of manufacturing processes, level of quality management, capability of supplying goods and services, and other factors.

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In addition, the environmental performance of the products provided will also be considered when selecting suppliers to ensure that the purchased products comply with the requirements of the relevant environmental protection indexes. Compliance with environmental requirements is verified during the supplier assessment process and reviewed as part of the Group's supplier performance evaluations. and, we will give priority to purchasing environmentally friendly products under the same conditions.

In order to construct a new procurement model, we start from the idea of shortening the development cycle, production on time, cost minimization, components generalization, product development and assembly modularization, which has improved our efficiency, reduced costs, and optimized the structure of the supply chain.

The Group tends to establish long-term partnerships with its suppliers to achieve benefit sharing and risk sharing, which can enhance the stability and reliability of the supply chain and promote mutual development.

In terms of quality assurance, we aim to establish a sound and effective quality assurance system based on TS16949. The materials and goods provided by our suppliers are categorized according to their importance in affecting the quality of our products. For Type A suppliers, we require them to pass the latest TS16949 certification; and for Type B suppliers, we require them to at least pass the latest ISO9001 certification of an accredited third-party certification organization, and to formulate a TS16949 quality system development plan. At the same time, suppliers should also comply with national environmental regulations to ensure that their products are environmentally friendly.

To ensure the continuous improvement of suppliers and strengthen our cooperation with them, the Group reviews the performance of suppliers on a monthly basis and conducts an annual performance assessment based on their results. For suppliers who fail to meet the supply standards, we will conduct annual reviews and follow up on the rectification process until we terminate the cooperation. In the procurement process, we will continue to optimize our selection of suppliers and look for suppliers that are more environmentally friendly and cost-effective, so as to continuously enhance the competitiveness and sustainability of the supply chain.

In order to identify the social and environmental risks along the supply chain, during the Reporting Period, the Group actively promoted the implementation of ESG audits and successfully attracted the participation of 12 key suppliers (2024: 10 key suppliers). These suppliers occupy an important position in the Group's business chain, and their ESG performance has a direct impact on the Group's overall sustainable development. In order to enhance the ESG awareness and capability of suppliers, the Group organized a series of training activities, providing a total of 262 hours (2024: 204 hours) of training. Through these trainings, suppliers not only gained a deeper understanding of ESG concepts, but also mastered specific practices and improvement measures. These efforts will help promote ESG throughout the supply chain and lay a solid foundation for the Group's sustainable development strategy. The results of the ESG audits are tracked and reviewed by the Group's procurement department, and any material environmental or social risks identified are reported to management for follow-up action.



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To avoid the impact of unforeseen events on production, the Group will continue to consult with suppliers to communicate with them on the proper preparation of stock for commonly used materials or to promote the application of VMI warehouses. This will help reduce risks in the supply chain and ensure production continuity and stability. At the same time, we will continue to focus on areas of improvement for our suppliers and work with them to achieve continuous improvement and optimization.

Product Responsibility

The Group is committed to maintaining a high quality of the products by performing a variety of quality control, inspection and testing procedures throughout our production process and identify defects and irregularities throughout all stages of production process. The Group strictly adheres to the relevant laws and regulations in respect of product quality and safety, as well as advertising, labelling and privacy matters relating to the products, such as the Product Quality Law of the People's Republic of China. The Group has compiled and implemented a set of detailed quality control protocols that are strictly followed by each of our departments. Such protocols set out a series of standardized procedures and measures to monitor and control each stage of our operating process, including procurement of raw materials and key components, production and inspection of finished products, to ensure that our products are of consistently high quality.

The Group has established a quality control department consisting of 54 dedicated quality control inspectors, which is responsible for overseeing the entire production process and has devoted significant resources to maintaining and improving the quality of our products. Our quality control department hosts regular meetings to discuss quality issues arising from the production process and to formulate solutions on potential improvement.

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Set forth below is a summary of our primary quality control measures:

<p>Raw materials and key components</p>	<ul style="list-style-type: none"> • Our quality control department conducts sample check on raw materials and key components, in particular the rough cast products procured from customers or third-party suppliers, to ensure such raw materials and key components meet the requisite quality standards; • The Group carries out on-site evaluations at the premises of our main suppliers and assess their production facilities to confirm the source of supply of the raw materials and key components from time to time.
<p>Production process</p>	<ul style="list-style-type: none"> • Throughout our entire production process, the Group conducts quality control testing at each key production stage, and our quality control inspectors will closely monitor the production process of each of our products to ensure strict compliance with our standard operating procedures; • The Group has installed and operated a number of advanced inspection equipment, including 10 cylinder bore detectors, 236 pneumatic measuring instruments, 21 triple-axis high precision coordinate measuring machine, a Taylor Hobson cylindricity measuring instrument, a Hommel roughness profiler and a Leica particle analyzer, to ensure that our products are produced precisely to meet our customers' specific design and manufacturing requirements.
<p>Finished products</p>	<ul style="list-style-type: none"> • The Group inspects sample batches and the packaging before delivery takes place, and substandard products will not be delivered. Our quality control inspectors investigate the causes for defects and follow up to address problems with the production process. Our products are labelled with a unique serial number to ensure traceability. For ancillary cylinder block components which have been processed by third parties, the Group conducts sample checks to ensure that they meet the quality standards.
<p>Product warranty and after-sales service</p>	<ul style="list-style-type: none"> • The Group provides product warranty services for a designated warranty period, mainly for product defects that do not conform to the agreed specifications or quality standards. Advertising and labelling of our products are also subject to monitoring and review.



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Product and Service Quality

The Group places emphasis on the control of product and service quality and has set clear targets on product scrap rate, PPM indicators, quality inspection of production lines, customer feedback and other aspects. A series of management procedures have been formulated to strengthen the monitoring and tracking of targets, including the control of substandard products, corrective and preventive measures, the control of monitoring and measuring devices and other measures.

In terms of product and service quality standards, the Group adheres to the internationally recognized IATF 16949 standard to ensure that the operations of the Group as a whole as well as the operations of each department strictly comply with this international standard, covering various aspects of standardized management such as APQP (Advanced Product Quality Planning), FMEA (Failure Mode and Effects Analysis), MSA (Measurement System Analysis), PPAP (Production Part Approval Process) and SPC (Statistical Process Control).

In terms of enhancing product quality control, the Group focuses on staff training, operation preparation, operation monitoring, product cleanliness control, change point management, error prevention mechanism, handling of suspicious or substandard products, and problem avoidance. Quality improvement meetings are held every month, where quality engineers review quality issues on the production line, summarize and analyse them on a daily, weekly and monthly basis, and report the results to the relevant responsible units for rectification, in order to continuously improve the quality of our products. At the same time, the Group also summarizes and analyses the quality issues of after-sale products, which extends horizontally to other products, so as to prevent the recurrence of similar problems.

Product Recalls

In terms of rework and repair, the Group has formulated a clear process to ensure that all products that needs to be repaired strictly follow the process. In order to further enhance service quality, the Group plans to carry out comprehensive optimization in various aspects, such as the management of products leaving the factory, management processes, operational standards and process control. At the same time, we will strengthen procedure system audits and improve the product traceability system to enhance error prevention during processing. We will reorganize the management process and correct the irrationalities and omissions in the management documents. The Group will strengthen training and assessment of quality-related personnel and operators to ensure that they are equipped with the appropriate functions and responsibilities to meet the high standards of product quality. Where a product recall is necessary, the Group traces the affected products through their serial numbers, notifies the relevant customers and arranges for return or replacement accordingly.

As a result of our stringent quality control system, our production facilities have obtained ISO/TS 16949 certification since 2012. As at the end of the Reporting Period, the Group has not experienced any material claim from product liability and none of the products sold by the Group were subject to recalls for safety and health reason, nor has the Group become aware of any violations of applicable health and safety, advertising and labelling laws and regulations.

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Intellectual Property Protection

The Group strictly complies with the Patent Law of the People's Republic of China, Enterprise Intellectual Property Management Standards and other relevant laws and regulations. The intellectual property rights held by Hebei Ruifeng are mainly patents, covering two categories of utility model and invention patents. During the Reporting Period, the Group authorised 3 new utility model patents and 1 invention patent, further enriching its technical reserves and innovation strength. In order to effectively manage these valuable assets, we have assigned 1 intellectual property management personnel and developed a detailed intellectual property management system. In terms of protection measures, we focus on enhancing the intellectual property protection awareness of all employees, and constantly improve the independent innovation mechanism of the corporate to ensure that our operation can strictly follow the relevant laws and regulations in the daily production and business activities, so as to effectively protect the safety and interests of the Group's intellectual property.

Customer Service

The Group's customers mainly cover fields such as passenger vehicles, commercial vehicles, non-road machineries and new energy. We have developed a Customer Satisfaction Control Procedure to assess and improve customer satisfaction. During the Reporting Period, we took "not less than 85%" as our customer satisfaction goal and actively carried out customer satisfaction survey activities.

Customer Satisfaction Survey

In order to better understand customer satisfaction, Hebei Ruifeng issued special forms to customers to carry out customer satisfaction surveys. After collecting and analysing customer feedback, we found that the aluminum chip residue in the cylinder head water jackets is a prominent problem, which affects the cleanliness of the product and the user experience. To address this problem, we have adopted a series of special measures:

- **Chip Control in Machining:** Chip breaker grooves have been incorporated into cutting tools to promptly break chips during machining, preventing the production of large aluminum chips that could lodge in the water holes.
- **Coolant Flushing Optimization:** The coolant flushing method for water hole machining tools has been modified from internal coolant center flushing to reverse flushing, effectively preventing aluminum chips from falling into the water holes during processing.
- **Manual Shaking Inspection:** A manual shaking station has been added prior to the final cleaning machine. Operators physically shake each cylinder head at least three times before final cleaning to dislodge any residual aluminum chips.
- **Endoscopic Quality Verification:** Mandatory endoscopic inspections are conducted on all water jackets before packaging. Any cylinder head with detected chip residue undergoes thorough cleaning prior to final packaging.

By implementing the above measures, we expect the problem of aluminum chip residue in the cylinder head water jackets will be effectively solved, therefore we can further improve the customer satisfaction.



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Customer Complaint

To address customer complaints, the Group has taken the following measures.

- Establishing a diversified complaint mechanism providing email, telephone, wechat and on-site face-to-face interview channels, to ensure that customers can easily report problems to us.
- Appointing specialized personnel to receive and address these complaints to ensure that each problem is handled promptly and effectively.

Regarding handling complaint and after-sales feedback, we have taken double measures:

- Developing emergency response mechanism, and immediately carrying out inspection and addressing problems, to solve the problems encountered by customers as soon as possible.
- Reporting these problems to the internal quality department and relevant units, requiring them to conduct strict inspection and control before the products leave the factories, and adopting optimised measures in the subsequent production process to prevent the reoccurrence of similar problems.

In 2025, we received a total of 127 customer complaints (2024: 156 customer complaints), handled and contained each customer's on-site products and reported to relevant internal departments and units of the Group. We paid attention to the inspection and treatment before products leaving the factory and the optimization and control in the production process to reduce the occurrence of complaints of related problems. At the same time, we also ensured that the handling feedback was understood by all personnel involved and implemented at work on detail level.

In order to further improve the after-sales service quality, during the Reporting Period, we continued to improve and update the after-sales service operational documents, making the operation process smoother and the work more convenient. In addition, by arranging the after-sales service manager to conduct customer visits to the OEMs from time to time, we further reduced the number of complaints and improved the quality of after-sales service.

Privacy Protection

The Group strictly follows the Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China and other laws and regulations related to personal information and privacy protection. All employees are prohibited from disclosing any confidential data. Data including project-related data and other sensitive data is subject to access control to ensure its security and prevent any abuse or misuse of personal and confidential information.

To ensure the security of the internal documents, we have signed a Confidentiality Agreement with relevant factory personnel, and we strictly enforce IT technical restrictions. All graph paper and documents received are automatically encrypted by encryption software to ensure that outsiders cannot access them. The decryption process is subject to a strict approval process to ensure the security and controllability of the information.

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Furthermore, we have also signed a Confidentiality Agreement with downstream suppliers to guarantee the information security in the supply chain. We understand the importance of confidentiality work and will continue to improve the confidentiality management and ensure the security and completeness of the assets of our customers.

Community Charitable Donations

Always adhering to the social responsibility concept of “taking from the society and giving back to the society”, Hebei Ruifeng has been deeply involved in various public welfare and charitable activities. Over the year, the Group has not only provided financial assistance to students who are in need and promoted financial aid activities, but also actively participated in various volunteer services to give back to the society. In view of the importance of transportation infrastructure to community development and resident’s lives, we hope to provide local residents with a more convenient and safety travelling environment by funding road maintenance, which in turn promotes the prosperity and progress of the community.

III. EMPLOYMENT AND LABOUR PRACTICE

Employment

The Group respects and upholds the international human rights treaties and labour standards, strictly implements the laws and regulations such as the Labor Contract Law of the People’s Republic of China and adheres to the principle of fairness and impartiality with fair treatment of employees of different races, nationalities, genders, ages and religious beliefs, in order to eliminate discrimination in employment and occupation, while assisting the disadvantaged groups, striving to provide equal employment opportunities to all job seekers. Detailed provisions on promotion, dismissal, working hours, holidays and annual leave and other aspects have been specified in the staff handbook. The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, has a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and the management are reasonable and competitive in the market and the Group believes that its long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of the employees depend primarily on their type of work, position, length of service with us and local market conditions.



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As at the end of the Reporting Period, the Group has no part-time employees and has a total of 818 full-time employees, indicators of which detailed below:

	2025	2024
By gender		
Male	672	594
Female	146	151
By rank		
Senior management	21	18
Middle management	60	61
Other employees	737	666
By function		
Directors and senior management and management	21	18
Research and development	24	25
Production	622	584
Procurement	10	10
Sales and marketing	18	22
Quality control	89	54
Finance	8	8
Administration and logistics	26	24
By age		
Under 30 years old	122	34
30-45 years old	484	508
46-60 years old	200	192
Over 60 years old	12	11
By education level		
Undergraduate and above	60	55
College	103	100
Below college	655	590
By region		
China	818	745

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Turnover of employees

Turnover rate of employees	2025	2024
Total turnover rate of employees ¹	3%	3%
By gender:		
Male	3%	3%
Female	1%	4%
By age		
18-35 years old	2%	9%
36-55 years old	1%	3%
Over 55 years old	–	4%
By region		
China	3%	3%

1 Calculation of the turnover rate of employees: number of employees who resigned during the Reporting Period/ ((Total number of employees at the beginning of the Reporting Period + Total number of employees at the end of the Reporting Period)/2).

As the economy began to recover steadily and get back on track with the subsiding of COVID-19 crisis, we have been aware that some employees have started to look for better development opportunities in the big cities, which is undoubtedly a move to open up new paths for personal career development. However, it also led to the challenge of increased staff turnover. We understand and respect everyone's career choices and development wishes, and we will endeavour to enhance our working environment and benefits in order to attract and retain more excellent talents.

Labour standards

The Group stringently complies with all national and local laws, such as the Labour Law, Labour Contract Law and Employment Promotion Law of the People's Republic of China. The Group legally abides by labour laws and regulations. The employment of child labour and forced-labour workers are strictly prohibited within the Group.

Being fully aware that exploitation of child labour and forced labour violate human rights and international labour conventions, the Group strictly prohibits the employment of children and forced labour in any form. New employees are required to provide true and accurate personal data when they join the Group. If child labour or forced labour is found in operations, the Group will handle and eliminate relevant violations in accordance with the law. The Group strictly complied with the relevant laws and regulations in relation to the prevention of child labour or forced labour. As at the end of the Reporting Period, there had not been any non-compliance with any laws and regulations for child labour.



Environment, Social and Governance Report

Employee Care

The Group has always been committed to safeguarding and enhancing the well-being of our employees. The Group insists on providing benefits to our employees during major festivals such as the Chinese New Year and Mid-Autumn Festival, and actively cares for and protects the rights and interests of our employees. At the same time, the Group strictly enforces the “5 Must-Visit and 6 Must-Discuss (五必訪六必談)” system, paying close attention to the needs and difficulties of our employees and taking effective measures to solve their problems in a timely manner, thus winning the trust and respect of our employees.

The remuneration of our employees includes basic salary and performance-based monthly and annual bonuses. The Group makes contributions for our employees in relation to the mandatory social security funds, including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC.

Development and Training

The Group continues to optimize the promotion and advancement mechanism for our employees with the aim of stimulating their enterprising spirit, enabling them to make continuous progress and contribute their wisdom and strength to the Group’s development. The promotion and advancement path not only represents the Group’s emphasis on uncovering employees’ potential and career growth, but is also a career development program that aims to enhance employees’ personal capabilities and add value to the Group. Through this mechanism, we are able to better cultivate and retain outstanding talents and enhance the sense of belonging and loyalty of our employees, thereby promoting the Group’s long-term stable development.

The promotion and advancement path of employees covers a wide range of levels, from basic to advanced, with clear requirements and standards set for each level. Employees can apply for promotion to the appropriate level based on their outstanding performance in terms of work performance, capability enhancement and performance contribution. At the same time, the Group will also provide targeted training and support for career development planning according to the performance and potential of our employees, so as to help them achieve their personal career goals and create a better future together.

With the progress of the times, the continuous evolution of market demand and the rapid technology advancement in the industry, market competition has become increasingly fierce. Against this background, the Group is facing the dual challenges of external environmental adjustment and internal development needs. Currently, the cultural mechanism and talent team building have become bottlenecks for the Company’s further development.

To address these issues, we launched a series of important initiatives during the Reporting Period:

- Implementing corporate culture building by identifying an executable mechanism in line with the current stage of culture implementation, enhancing training in human resources related projects, strengthening corporate culture building and promotion, and standardizing the path for corporate culture implementation.

Environment, Social and Governance Report



- Optimizing the organizational structure by establishing an organizational management system in line with the current stage to ensure the high efficiency of the Company's operations.
- Establishing a qualification system in line with the current stage, forming an efficient talent development mechanism, and clarifying the career path and competency assessment standard system.
- Cultivating a human resources team that meets the Company's needs and enhancing the professionalism of human resources to provide strong support for the Company's development.
- Optimizing the diversified remuneration distribution mechanism based on performance contribution and competence quality according to the current remuneration performance system, such that the performance system will be tilted in favor of value creators.

At the same time, the Group establishes an organizational structure based on innovation and hard work, and continues to optimize and build an efficient human resources team. In addition, the Group will also establish a value-sharing mechanism based on performance contribution, such that remuneration incentives will be tilted in favour of performance creators, and the development path of talents will be clearly defined, so as to achieve co-development, co-creation and co-sharing between the organization and its employees. These initiatives will help the Group break through the bottleneck in its development and achieve more stable and sustainable growth.

The Group places a strong emphasis on training our employees, and considers nurturing of talent as the key to the Group's development. In order to attract, retain and develop the knowledge, skill level and quality of our employees, the Group continues to optimize its training and development system. Prior to commencement of work, new employees must attend mandatory pre-employment training sessions. In addition, the Group also invited professional trainers from third-party research institutions to provide our employees with regular training on professional knowledge, technical skills and production safety.

During the Reporting Period, the Group launched a wide range of training programs, including process re-engineering training, corporate culture implementation, human resources management and quality training. In addition, the Group also launched training programs such as Linghang class (領航班), Qihang class (啟航班) and Feihang class (飛航班), with the aim of enhancing the capabilities and skills of our employees in all aspects.



Environment, Social and Governance Report

Categories		2025	2024
Total number of employees who received training		818	745
Percentage of employees who received training (%)	Percentage of male employees trained	100%	100%
	Percentage of female employees trained	100%	100%
	Percentage of senior management trained	100%	100%
	Percentage of middle management trained	100%	100%
	Percentage of the rest of the staff trained	100%	100%
Average training hours of employees (hours)	Average training hours for male employee	1.62	27.8
	Average training hours for female employee	1.62	27.8
	Average training hours for senior management	6.0	30.0
	Average training hours for middle management	6.0	11.0
	Average training hours for the rest of the staff	5.0	3.0

Health and Safety

The Group strictly abides by laws and regulations such as the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases to ensure the occupational health and safety of its employees.

The Group has implemented various safety guidelines and operating procedures for our production process to ensure safe operation of our production facilities and to prevent injuries. The Group conducts regular and thorough worksite inspection to eliminate potential hazards in our work environment. The Group also provides mandatory safety training to all new employees prior to commencement of work. Furthermore, the Group provides employees with occupational safety education and training to enhance their awareness of safety issues from time to time.

The Group attaches great importance to the health and safety of its employees. In order to ensure that our employees are healthy, safe and able to perform their tasks efficiently in the work environment, the Group has put in place the following policies and practices:

- Optimizing the working environment for employees.** We understand that a comfortable, clean and safe working environment is crucial to the physical and mental health of our employees. Therefore, in accordance with the relevant standards and requirements, we continuously improve our corporate infrastructure to provide our employees with reasonably arranged, well-equipped, clean and tidy workplaces. At the same time, we pay attention to the concept of green environmental protection and strive to create a comfortable, beautiful and humane working environment to ensure that there are no sanitary corners so that employees can work efficiently in a pleasant atmosphere.

Environment, Social and Governance Report



- **Emphasizing on workplace equipment and facilities.** We recognize that the performance and comfort of workplace equipment and facilities have a direct impact on the productivity and health of our employees. Therefore, we carefully design and configure the equipment and facilities in the workplace in strict accordance with ergonomics requirements and health needs. We ensure that the lighting, illumination, ventilation, temperature preservation, heat insulation, sound insulation and pollutant control of the workplace comply with the relevant national and local standards to create a healthy and comfortable working environment for our employees.
- **Actively carrying out tobacco control work and striving to create a smoke-free environment.** We are fully aware of the health hazards of smoking to our employees and therefore actively promote a total ban on smoking in indoor workplaces and public places. We ensure the physical and mental well-being of our employees by placing prominent no-smoking signs and banning tobacco advertising and promotional activities across the Group.
- **Paying attention to the layout and management of toilet facilities.** We recognize the importance of toilet facilities to the daily convenience and comfort of our employees, and are committed to ensuring that our toilets are well laid out, well managed, clean and tidy. We continue to optimize the configuration and maintenance of our toilet facilities to provide a comfortable and convenient toilet environment for our employees.

In terms of occupational disease prevention, the Group has taken a series of specific actions. We have established a complete occupational health management system and operating procedures to strengthen the monitoring and evaluation of occupational hazard factors in the workplace. At the same time, we encourage employees to participate in fitness activities, provide fitness venues and facilities, and carry out workplace exercises, eye exercises and other healthy exercises to help employees combine work and rest during work.

The Group pays special attention to the health and safety of female employees. We strictly comply with the Special Rules on the Labour Protection of Female Employees, enhancing the care and attention given to pregnant and breastfeeding female workers to ensure that they can maintain their health and safety in the work environment. In the future, we will continue to work hard to improve the working environment and health management standards of our employees and protect their physical and mental health.

In the past three years, the Group has not experienced any work-related deaths. During the Reporting Period, the Group lost a total of 30 working days (2024: 30 working days) due to work-related injuries. Our performance in employee health and safety was relatively stable, with a Lost Time Injury Rate (LTIR) of 0.33 (2024: 0.35). To further enhance the safety and health standards of our employees, the Group invested RMB300,000 (2024: RMB 350,000) in employee health and safety related initiatives and training.



Environment, Social and Governance Report

IV. ENVIRONMENT PROTECTION

Environment and Natural Resources

The Group has managed and controlled the emissions generated by its production and operating activities in strict compliance with the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Integrated Emission Standard of Air Pollutants, the Water Pollution Prevention Law, the Quality Standards for Sewage Discharge into Urban Sewers, and other laws and regulations as well as requirements of local environmental authorities. During the Reporting Period, the Group was not subject to any notice or punishment from competent environmental authorities concerning breach of the relevant law or regulations.

Although the production process of the Group does not cause any material adverse impact to the environment, the Group is committed to minimizing any potential adverse impact on the environment which may be resulted from its production process. The Group has put in place various dust cleansing and collection devices at all key stages of production operations to minimize dust generation. The Group has also developed a cutting fluid disposal device which recycles and reuses the hazardous cutting fluid generated during our production process to ensure clean disposal of such industrial liquid waste. In addition, the Group has adopted a self-developed lost foam casting process which is considered more environmentally-friendly and cost-effective to produce a portion of our rough cast cylinder block products. The Group obtained two utility model patents from the SIPO for the aforementioned cutting fluid disposal device and the lost foam casting process in October 2016 and July 2017, respectively. The Group believes these measures effectively reduce the negative environmental impact of the hazardous materials the Group produces while satisfying our sustainable production needs.

The Group's production generally bears a low impact on emission except electricity consumption which is our major source of greenhouse gas (the "GHG") emission and energy footprint. Despite that, the Group has strived to achieve environmental sustainability and has formulated relevant rules and regulations for a sound and effective management of energy consumption, emission, and use of resources as well as discharge of domestic waste and sewage and other pollutants, as highlighted below:

- comply with applicable environmental protection laws and regulations;
- define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- improve continuously the ESG management system and maintain rigorous standards;
- promote environmental awareness among the workforce with regular communication; and
- communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

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During the Reporting Period, the Group complied with applicable environmental protection laws and regulations in relation to i) air and the GHG emissions, ii) discharge into water and land, and iii) generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

During the Reporting Period, the Group replaced the original 6-ton melting furnace with a 3-ton melting furnace, thereby reducing production capacity by 13,000 tons. During the production process, cold core making will produce triethylamine waste gas, hot core making and casting processes will produce waste gas containing formaldehyde and phenols, and smelting and machining processes will release dusty waste gas. In order to deal with these environmental problems, the Group has formulated a series of policies and systems and taken corresponding measures. For triethylamine waste gas, we added a dilute phosphoric acid spray tower for purification treatment, and then discharged it through a 15-meter-high exhaust pipe. Meanwhile, waste gas containing formaldehyde and phenols will also be treated by an activated carbon adsorption device. For the dust generated during the smelting and machining process, the Group will use bag dust collectors to treat it and discharge it through a 15-meter-high exhaust pipe. These measures are in line with the 《RF. HBB.6.A.2024 (Environmental Protection Management Measures) 》 formulated by the Company, aiming to ensure that the Group minimizes the negative impact on the environment and resources while carrying out relevant business activities.

2030 Environmental Targets

To support global efforts to address climate change and to facilitate the assessment of the effectiveness of the Group's strategies and measures to mitigate the impacts of climate change, environmental objectives are set at the Group level as follows:

The target of reducing emission intensity by 2030, using 2022 as a base year:

Electricity consumption	Water consumption	Non-hazardous waste	Greenhouse gas emissions
↓ 5%	↓ 5%	↓ 5%	↓ 5%

We have installed solar photovoltaic panels on the roofs of our plants, generating about 21.00 million kWh of electricity annually. Of this amount, the Group self-consumed 93.67% of the electricity generated, equivalent to saving 19.67 million kWh of externally purchased electricity. The remaining electricity is integrated into the local power grid, which not only reduces our dependence on external power, but also brings considerable economic benefits to the enterprise.

In order to reduce water consumption, the Group has increased employee training aimed at educating employees on the importance and methods of saving water. We post water conservation signs in appropriate places to remind employees to save water in their daily lives. Together, these initiatives form a comprehensive water conservation strategy aimed at cultivating employees' awareness of water conservation and achieving sustainable use of water resources. In terms of wastewater management, we have taken a series of measures, such as collecting some of the liquids generated from aluminium briquettes for reuse. At the same time, we have also ordered iron briquetting press machine to recover more liquid for reuse.



Environment, Social and Governance Report

In order to reduce production of harmless waste, the Group plans to build a new sand recycling centre in 2028 to fully utilize waste sand. Through these measures, we strive to achieve environmentally friendly production and contribute to sustainable development.

In order to increase the utilization of resources, we have added a new briquetting machine. This equipment can effectively recycle discarded aluminium scraps and iron scraps and press them to make them easier to recycle. This measure not only helps reduce resource waste, but also reduces production costs and achieves green production.

In order to effectively reduce greenhouse gas emissions, we mainly focus on the optimal use of energy. In the plant, we introduced inverter air conditioning to address the cooling problem of large-scale equipment to cope with the heat generated by the equipment in an energy-efficient manner. For the drying process in the casting workshop, we have upgraded to natural gas drying, aiming to further reduce carbon dioxide emissions and contribute to the environmental protection industry.

Use of Resources

The Group has always abided by the relevant provisions of the Energy Conservation Law of the People's Republic of China and has formulated the following energy-saving measures:

- We come up with a comprehensive production water and electricity consumption plan, reasonably arrange preheating and high energy consumption processes in the production workshop, and ensure that no production equipment is turned on. Meanwhile, according to the characteristics of the production process, we usually cut off the power supply immediately after the end of production to reduce unnecessary energy consumption.
- We encourage and demand awareness of water and electricity conservation among all staff and turning off lights, faucets, air conditioners, calculators and other equipment when the use of them is unnecessary to reduce the consumption of energy, contributing to energy saving and environmental protection together.

The Group believes that corporation has social responsibility, which is imperative, in promoting the sustainable development of environment. The Group formulated environmental principles correspondingly to ensure the effective implementation of various measures. In production and operation activities, increased use of energy-saving facilities and reduced energy consumption to mitigate or avoid the impact of wasted water, exhaust gas, greenhouse gas and hazardous and non-hazardous waste on the environment; encouraged the staffs to raise environment protection awareness and to acquire knowledge and skills related to environment protection. The Group strictly complied with national laws, regulations and policies.

The Group has carried out International Environment Management System Authentication ISO14001 and passed such authentication. The Group has not encountered any issues in sourcing suitable water. We closely monitor emission and environment protection in order to satisfy the required standards under the relevant law and regulations. Looking ahead, we will continuously assess its environment risks so as to formulate appropriate response measures and regularly review.

Environment, Social and Governance Report



Clean Production

In order to explore the opportunities and potential of clean production, we have conducted in-depth studies on various dimensions, including raw and auxiliary materials and energy, technology and process, equipment, process control, waste generation and disposal, product management and employee quality. Combining the audit focus and cleaner production goals, we carefully selected ten clean production programs.

We made an investment of RMB4.6 million, achieved an annual saving of 1,584 tons of aluminium ingots, and brought economic benefits of RMB38.8 million to the Group. The implementation of these programs has achieved significant results, such as, the consumption of aluminium ingots per unit product in a casting workshop in Hebei Ruifeng was reduced from 990.52 kg/t to 1,060 kg/t, to realize multiple environmental and economic benefits such as pollution reduction, energy saving, consumption reduction and efficiency increase.

The implementation of these programs has enhanced the overall management standard of the enterprises, effectively reduced resource consumption, minimized the generation and emission of pollutants, and further lowered costs. This has not only brought considerable economic benefits to the Group, but also significant environmental and social benefits to society, laying a solid foundation for the continued promotion of cleaner production.

Statistics of packaging materials consumed in our production and logistics during the Reporting Period are set out below:

Categories	2025	2024
Plastic sheeting (kg)	25,910	33,847
Number of packing bags	277,846	296,444
Number of packing boxes	43,805	67,165
Number of septa	108,632	96,502
Number of trays	18,495	13,796

Emissions Control

The Group strictly implements the environmental protection policies, laws and regulations of the national and local governments. We strictly abide by the Environmental Protection Law of the People's Republic of China, Water Pollution Prevention Law of the People's Republic of China, Air Pollution Prevention Law of the People's Republic of China, the Prevention and Control of Environmental Pollution by Solid Waste Law of the People's Republic of China etc., actively taking measures to manage emissions and fulfilling environmental responsibilities. The Group will continue to implement the concepts of energy saving, energy consumption reduction and green environmental protection to reduce emissions from the source. We will always aim to promote emissions management and environmental protection processes as a long-term goal, with the ultimate goal of realizing the concept of a circular economy and taking the path of sustainable development.

Environment, Social and Governance Report

The Group's the GHG emissions are set out below:

Source of emissions	2025	2024
Scope I: direct emissions ² (tCO ₂ e)	9,269.96	9,062.23
Scope II: indirect emissions ³ (tCO ₂ e)	63,966.73	62,533.27
GHG emissions in total (tCO ₂ e)	73,236.69	71,595.50
GHG emission intensity (tCO ₂ e/RMB10,000 of revenue)	0.66	0.75

2 Direct GHG emissions: Direct emissions from operations that are owned or controlled by the Group, i.e. the Group's gasoline consumption multiplied by the corresponding emission factor with reference to (1) China Energy Statistics Yearbook 《中國能源統計年鑒》(2) 《IPCC 2006》.

3 Indirect GHG emissions: Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group, i.e. the consumption of purchased electricity of the Group multiplies the corresponding emission factor, which refers to the Notice on the Key Work Related to the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022 《關於做好2022年企業溫室氣體排放報告管理相關重點工作的通知》.

The Group uses energy in the following ways:

Ways of using energy	2025	2024
Gasoline (L)	26,129.67	25,215.14
Natural gas (m ³)	3,865,386.20	3,865,235.00
Diesel (L)	204,966.95	201,904.00
Electricity (MWh)	111,067.16	107,630.41
Comprehensive energy consumption ⁴ (MWh)	3,469,722.97	3,391,968.48
Intensity of energy consumption (MWh/ RMB10,000 of revenue)	31.28	35.45

4 Comprehensive energy consumption is calculated based on the conversion factors in the National Standard of the People's Republic of China, General Principles of Comprehensive Energy Consumption Calculation (GB/T2589-2020) 《綜合能耗計算通則(GB/T2589-2020)》.

The Group's water consumption statistics are as follows:

Water consumption	2025	2024
Total water consumption (m ³)	213,709.00	184,698.00
Water consumption intensity (m ³ /RMB10,000 of revenue)	1.93	1.93

Wastewater management

The Group is keenly aware of the scarcity of fresh water resources and the importance of water conservation, and is committed to the concept of environmental protection. We strictly abide by laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Water Pollution Prevention Law of the People's Republic of China, and follow the guiding principles of RF. HBB.6.A.2024 (Environmental Protection Management Measures). Through training and publicity activities, employees are actively encouraged to make reasonable suggestions.

Environment, Social and Governance Report



Our primary use of water in the manufacturing process includes the addition of machining centre cutting fluids and the dosing of washer cleaners. At present, we have taken a series of measures, such as collecting part of the liquid generated from aluminium scraps for reuse. At the same time, we have also ordered an iron briquetting press machine to recover more liquid for reuse. In the future, we will purchase filtration equipment to filter the cleaning fluid before reusing it, thereby reducing the use of fresh water and wastewater discharge.

Exhaust Gas Control

In terms of emission control, our emissions mainly include particulate pollutants, sulphur dioxide, nitrogen oxides, and so on. Smoke and dust mainly come from the electric furnace melting and casting processes, while sulphur dioxide and nitrogen oxides mainly come from the sand core drying and painting processes.

We use recycled materials with lower impurities for screening to reduce pollutant emissions. As of the end of 2025, the Group already has 4 new energy vehicles (2024: 3 new energy vehicles), and we plan to replace at least 5 traditional fuel vehicles every year. Looking ahead, the Group is committed to upgrading all off-road mobile vehicles in its plants to new energy vehicles by 2030 to promote sustainable transportation and eco-friendly mobility.

As of the end of the Reporting Period, the Group had fully completed the replacement of all National III and below emission standard vehicles in its plants to ensure the effective improvement of environmental standards.

Categories	Emissions in 2025 (tons)	Emissions in 2024 (tons)
Particulate matter	14.45	13.35
Sulphur dioxide	0.78	0.34
Nitrogen oxide	2.37	1.35
Number of septa	1.12	1.06

Waste Management

During the group's processing of cylinder blocks, harmful substances such as waste oil residue, waste cutting fluid, waste paint residue, waste activated carbon, and waste paint buckets, as well as solid harmless substances such as waste sand and dust removal ash, will be produced. To deal with these hazardous substances, we have set up a standardized hazardous waste room for temporary storage and commissioned a qualified hazardous waste treatment company to carry out subsequent treatment. For non-hazardous materials, we have signed an agreement with a qualified third-party for the regular transportation and disposal of dust ash and waste sand.

To reduce the generation of hazardous waste at source, we have taken a number of measures:

- Maintaining the machining centre regularly to prevent fluid and oil leakage.
- Ensuring the normal operation of the equipment in the sand regeneration centre of the foundry workshop to reduce effectively the generation of waste sand.



Environment, Social and Governance Report

Waste sand has the potential to be reused, so we set up a sand recycling workshop. The workshop is equipped with a sand regeneration production line, whose main task is to regenerate old sand throughout the plant. We adopt filtration and roasting methods and can process 40,000 tons of old sand every year. In order to ensure efficient operation, the workshop is equipped with key equipment such as calcining machines, vibrating screens, and storage tanks. These measures not only help recycle resources, but also reduce production costs, achieving a win-win situation for environmental protection and economic benefits.

The Group generates various harmless solid wastes during production and general work, including sand and dust, domestic waste, canteen food waste and green waste. During the Reporting Period, the Group generated 4,117 tons of non-hazardous solid waste (2024: 4,597 tons), with the harmless waste generation intensity of 0.04 tons/RMB10,000 of revenue (2024: 0.05 tons/RMB 10,000).

During the Reporting Period, the Group generated 12.5 tons of hazardous waste (2024: 14.6 tons), with the hazardous waste generation intensity of 0.16 kg/RMB10,000 of revenue (2024: 0.15 kg/RMB 10,000).

Statistics on the amount of hazardous waste generated by the Group are as follows:

Categories	2025 Quantity (tons)	2024 Quantity (tons)
Paint residue	3.5	6.5
Oil residue (waste oil sludge)	7.4	6.6
Harmful cutting fluids	0	0.0
Waste mineral oil	0.8	1.5
Waste packaging container	0.8	0.0
Total	12.5	14.6

Addressing Climate Change

Climate change is not only a change in global temperature, but also a change in weather. It has become an environmental issue of global concern. The Group is aware of the risks brought by identifying and assessing climate change, and has taken feasible measures. In addition, the Group has been integrating resources to strengthen governance, develop long-term strategies and expand our climate risk management capabilities.

Climate Change Management

The Board is responsible for the supervision of the Group's environmental and social matters, including risk assessment and risk management. It also collaborates with relevant departments to identify and study the impact of climate change on the Group's business activities, so as to fully control climate-related risks and opportunities. In terms of acute physical risks, extreme weather such as typhoons, heavy rains, and high temperatures will have varying degrees of impact on the Group. Therefore, the Group has formulated an Environmental Emergency Plan to enable timely response, proper handling, and ensure the personal safety of employees. While taking various responsive measures, the Group reminds employees to make corresponding preparations in advance.

Environment, Social and Governance Report



Recognizing and Addressing Climate Change

Climate-related risks include risks related to the transition to a low-carbon economy (hereinafter referred to as “**transition risks**”) and risks related to the physical impacts of climate change (hereinafter referred to as “**physical risks**”). In particular, transformation risks can be divided into policy and legal risks, technology risks, market risks, and reputation risks. Physical risks include acute risks (such as extreme weather such as typhoons and floods) and chronic risks (changes in climate patterns such as persistent high temperatures). Among all climate change phenomena, the Group is aware that heavy rains, floods, heat waves, high temperatures and severe typhoons have adverse impacts on our operations. The Group has formulated preventive measures and standard operating procedures and conducted education to employees and subcontractors to prevent losses and accidents during extreme weather events.



Independent Auditor's Report



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OPINION

We have audited the consolidated financial statements of Ruifeng Power Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 87 to 152, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy 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 consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Our responsibilities under those standards are further described in the “*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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



Independent Auditor's Report

KEY AUDIT MATTERS

Revenue recognition	
<i>Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(r).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue is principally generated from the manufacture and sales of cylinder blocks and cylinder heads.</p> <p>The Group's sales contracts with customers, which are primarily automobile manufacturers and engine producers, have a variety of terms relating to goods acceptance that may affect the timing of the recognition of sales to these customers. Management evaluates the terms of each contract in order to determine the Group's performance obligations, allocation of transaction price and appropriate timing and value for revenue recognition.</p> <p>We identified the revenue recognition as a key audit matter due to the magnitude of revenue transaction occurred and revenue is one of the key performance indicators of the Group and may be subjected to risk of manipulation by management to achieve financial expectations or targets.</p>	<p>Our key audit procedures to assess the revenue recognition included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to revenue recognition; • assessing the management's identification of performance obligation and the recognition of revenue by inspecting the terms of sales contracts with customers, on sample basis, to assess whether the Group has appropriately identified performance obligations and determined and allocated the transaction price correctly; • testing, on sample basis, revenue transactions recorded during the financial reporting period to underlying supporting documents, e.g. delivering documents and/or goods acceptance notes; • comparing, on sample basis, revenue transactions recorded before and after the financial reporting period end date with underlying documents, which included goods acceptance notes to assess whether the revenue had been recognised in the appropriate reporting periods; and • confirming, on a sample basis, the value of sales transactions for the financial reporting period directly with key customers and inspecting underlying documents relating to reconciling differences between the transaction amounts confirmed and the Group's accounting records to assess whether the related revenue had been recognised in the appropriate reporting period.



Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2025 annual report of the Company, 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 THE DIRECTORS 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 Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 of the Company 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

We communicate with 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.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 31 March 2026

The engagement director on the audit resulting in this independent auditor's report is:

Tsoi Wa Shan

Practising Certificate number: P07514

Consolidated Statement of Profit or Loss

for the year ended 31 December 2025

(Expressed in Renminbi ("RMB"))



	Note	2025 RMB'000	2024 RMB'000
Revenue	4(a)	1,109,400	956,853
Cost of sales		(993,140)	(855,565)
Gross profit	4(b)	116,260	101,288
Other income	5	35,447	25,366
Selling expenses		(17,380)	(13,183)
Administrative expenses		(83,467)	(81,915)
(Provision)/reversal of impairment losses on trade receivables	6(c)	(1,859)	566
Provision of impairment losses on other non-current assets	6(c)	(7,003)	–
Profit from operations		41,998	32,122
Finance costs	6(a)	(12,296)	(10,659)
Profit before taxation	6	29,702	21,463
Income tax	7	(6,436)	(2,143)
Profit for the year attributable to equity shareholders of the Company		23,266	19,320
Earnings per share			
Basic and diluted (RMB)	10	0.029	0.024

The notes on pages 94 to 152 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2025

(Expressed in RMB)

	2025 RMB'000	2024 RMB'000
Profit for the year	23,266	19,320
Other comprehensive (loss)/income for the year (after tax):		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of the Company into presentation currency	(8,279)	6,893
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange difference on consolidation	6,094	(5,528)
Total other comprehensive (loss)/income for the year (after tax)	(2,185)	1,365
Total comprehensive income for the year attributable to equity shareholders of the Company	21,081	20,685

The notes on pages 94 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2025

(Expressed in RMB)



	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	11	1,017,971	972,402
Right-of-use assets	12	98,398	100,946
Deferred tax assets	21(b)	18,410	19,100
Other non-current assets	13	16,340	40,897
		1,151,119	1,133,345
Current assets			
Inventories	15	297,081	319,677
Trade receivables, other receivables and prepayments	16	366,849	324,432
Prepaid income tax	21(a)	11,314	8,595
Cash at bank and on hand	17	29,373	57,538
		704,617	710,242
Current liabilities			
Trade and other payables	18	442,566	488,056
Amount due to a controlling shareholder	19	1,346	–
Interest-bearing borrowings	20(a)	165,948	175,777
Provision for warranties	23	2,910	2,399
		612,770	666,232
Net current assets		91,847	44,010
Total assets less current liabilities		1,242,966	1,177,355
Non-current liabilities			
Interest-bearing borrowings	20(b)	203,809	140,710
Provision for warranties	23	7,191	5,086
Deferred income	22	31,007	37,019
Deferred tax liabilities	21(b)	–	–
		242,007	182,815
NET ASSETS		1,000,959	994,540

The notes on pages 94 to 152 form part of these financial statements.



Consolidated Statement of Financial Position

at 31 December 2025
(Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
CAPITAL AND RESERVES	24		
Share capital		66,425	66,425
Reserves		934,534	928,115
TOTAL EQUITY		1,000,959	994,540

Approved and authorised for issue by the board of directors on 31 March 2026.

Meng Lianzhou
Chairman

Liu Enwang
Director

The notes on pages 94 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2025

(Expressed in RMB)



	Share capital RMB'000 Note 24(b)	Share premium RMB'000 Note 24(d)(i)	Statutory reserve RMB'000 Note 24(d)(ii)	Exchange reserve RMB'000 Note 24(d)(iii)	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2024	66,425	93,198	41,091	9,599	774,494	984,807
Changes in equity for 2024:						
Profit for the year	-	-	-	-	19,320	19,320
Other comprehensive income for the year	-	-	-	1,365	-	1,365
Total comprehensive income	-	-	-	1,365	19,320	20,685
Appropriation to reserves	-	-	4,918	-	(4,918)	-
Dividends approved (Note 24(c)(ii))	-	(10,952)	-	-	-	(10,952)
	-	(10,952)	4,918	-	(4,918)	(10,952)
Balance at 31 December 2024 and 1 January 2025	66,425	82,246	46,009	10,964	788,896	994,540
Changes in equity for 2025:						
Profit for the year	-	-	-	-	23,266	23,266
Other comprehensive loss for the year	-	-	-	(2,185)	-	(2,185)
Total comprehensive income	-	-	-	(2,185)	23,266	21,081
Appropriation to reserves	-	-	5,704	-	(5,704)	-
Dividends approved (Note 24(c)(ii))	-	(14,662)	-	-	-	(14,662)
	-	(14,662)	5,704	-	(5,704)	(14,662)
Balance at 31 December 2025	66,425	67,584	51,713	8,779	806,458	1,000,959

The notes on pages 94 to 152 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2025

(Expressed in RMB)

	Note	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Profit before taxation		29,702	21,463
Adjustments for:			
Depreciation	6(c)	127,915	107,620
Finance costs	6(a)	12,257	10,592
Interest income	5	(856)	(241)
Net (gain) loss on disposal of property, plant and equipment	5	(8,006)	126
Provision/(reversal) of impairment losses on trade receivables	6(c)	1,859	(566)
Provision of impairment losses on other non-current assets	6(c)	7,003	–
Written-off of trade payables	5	(1,787)	–
Write-down of inventories	15(b)	4,000	6,143
Amortisation of deferred income	22	(6,012)	(5,360)
Changes in working capital:			
Increase in inventories		18,596	(52,704)
(Increase)/decrease in trade and other receivables		(43,134)	3,560
Increase in trade and other payables		(83,172)	99,956
Increase/(decrease) in provision for warranties		2,616	2,833
Net decrease/(increase) in restricted deposit with a bank		26,000	(6,000)
Cash generated from operations		86,981	187,422
Income tax paid	21(a)	(8,465)	(6,514)
Net cash generated from operating activities		78,516	180,908

The notes on pages 94 to 152 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2025

(Expressed in RMB)



	Note	2025 RMB'000	2024 RMB'000
Cash flows from investing activities			
Payments for acquisitions of property, plant and equipment		(142,106)	(239,173)
Proceeds from disposal of property, plant and equipment		17,503	2,949
Government grants received	22	–	14,880
Repayment from non-current assets	13	15,350	–
Interest received	5	856	241
Net cash used in investing activities		(108,397)	(221,103)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings	17(b)	317,230	241,000
Repayment of interest-bearing borrowings	17(b)	(263,960)	(168,037)
Proceeds from amount due to a controlling shareholder	19	1,346	–
Dividends paid	17(b)	(14,662)	(10,952)
Finance costs paid	17(b)	(12,257)	(10,592)
Net cash generated from financing activities		27,697	51,419
Net (decrease)/increase in cash and cash equivalents		(2,184)	11,224
Cash and cash equivalents at the beginning of the year	17(a)	31,538	20,555
Effect of foreign exchange rate changes		19	(241)
Cash and cash equivalents at the end of the year	17(a)	29,373	31,538

The notes on pages 94 to 152 form part of these financial statements.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 2 May 2017 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 January 2018 (the "**Listing Date**"). The Company and its subsidiaries are principally engaged in the design, development, manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements have been prepared on a going concern basis, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. The directors of the Company believe that according to the negotiation with the relevant banks, the major subsidiaries of the Group are able to renew their bank facilities upon maturity.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

Amendments to IAS 21 Lack of Exchangeability

The nature and the impact of the revised IFRS Accounting Standards that are applicable to the Group are described below:

Amendments to IAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles and others	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)). Right-of-use assets are depreciated using the straight-line method from the commencement lease date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Lease (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(g) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) **Credit losses from financial instruments** (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). 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.

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

- failure to make payments on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(ii)(b) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(h)(i) and 2(h)(ii)).

(i) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Inventories and other contract costs (continued)

(ii) **Other contract costs**

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(i)(i)).

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 e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(r).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(h)(i).



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(o) Employee benefits

(i) **Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) **Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences is not recognized (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Sales-related warranties associated with sales of goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for the warranties in accordance with IAS 37.

Further details of the Group's revenue and other income recognition policies are as follows:



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

(i) Revenue from contracts with customers

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(b) Rendering of services

Revenue is recognised when the service is rendered.

(ii) Revenue from other sources and other income

(a) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss on a systematic basis over the useful life of the asset.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group's entities initially recognises such non-monetary assets or liabilities.

The Company's functional currency is Hong Kong Dollars and the functional currency of majority of the Group's subsidiaries is RMB. The results of foreign operations are translated into RMB, the Group's reporting currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive incomes and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 25 contains information about the assumptions and their risk factors of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(h)(ii). When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the asset and could result in additional impairment charge or reversal of impairment in future years.



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Expected credit losses for trade receivables

The Group estimates loss allowance at an amount equal to lifetime ECLs, which are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial conditions of the customers and debtors were to deteriorate, and these customers and debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amounts, actual write-offs would be higher than estimated.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised in future years.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management of the Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future years is adjusted if there are significant changes from previous estimates.

(e) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its cylinder blocks and cylinder heads after taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the design, development and manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of cylinder blocks	755,838	716,830
Sales of cylinder heads	288,755	213,159
Sales of ancillary cylinder block components and others	64,807	26,864
	1,109,400	956,853

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical market is disclosed in Notes 4(b)(i) and 4(b)(ii).

Revenue from customers with whom transactions have exceeded 10% of the Group's revenue are as follows:

	2025 RMB'000	2024 RMB'000
Customer A	428,734	301,464
Customer B	189,159	151,333
Customer C	126,969	Note

Note: The customer contributed less than 10% of the total revenue of the Group for the year ended 31 December 2024.

Details of concentration of credit risk arising from the Group's customers are set out in Note 25(a).



Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Cylinder blocks: this segment includes primarily the research, development, manufacture and sale of cylinder blocks.
- Cylinder heads: this segment includes primarily the research, development, manufacture and sale of cylinder heads.
- Ancillary cylinder block components and others: this segment includes primarily the manufacture and sale of ancillary cylinder block components used in cylinder blocks and cylinder heads not covered by the Group's warranty policies.

(i) **Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred for the years ended 31 December 2025 and 2024. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, impairment loss on trade receivables and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below:

	2025			
	Cylinder blocks RMB'000	Cylinder heads RMB'000	Ancillary cylinder block components and others RMB'000	Total RMB'000
Revenue from external customers recognised at a point in time	755,838	288,755	64,807	1,109,400
Reportable segment gross profit	101,833	9,072	5,355	116,260

	2024			
	Cylinder blocks RMB'000	Cylinder heads RMB'000	Ancillary cylinder block components and others RMB'000	Total RMB'000
Revenue from external customers recognised at a point in time	716,830	213,159	26,864	956,853
Reportable segment gross profit/(loss)	91,190	11,154	(1,056)	101,288

(ii) Geographic information

The Group's revenue is substantially generated from sales to customers in the People's Republic of China (the "PRC"). The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants (including amortisation of deferred income, see Note 22)	11,532	9,265
Interest income	856	241
Rentals receivable from operating leases	238	2,145
Gain/(loss) on disposal of property, plant and equipment	8,006	(126)
Additional value-added tax (“VAT”) input deduction (Note)	5,939	8,341
Written-off of trade payables	1,787	–
Others	7,089	5,500
	35,447	25,366

Note: Additional VAT input deduction amounted to RMB5,939,000 (2024: RMB8,341,000) was recognised in profit or loss due to a preferential VAT tax treatment. According to Announcement No. 43 by the Ministry of Finance and the State Taxation Administration of the PRC in 2023, advanced manufacturing enterprises are eligible for additional VAT credits by 5% of the current period creditable input VAT with effect from 1 January 2023 to 31 December 2027. 河北瑞豐科技有限公司 (Hebei Ruifeng Technology Co., Ltd *) (“**Hebei Ruifeng**”), a subsidiary of the Company, is qualified for the additional deduction of input VAT.

* English name is for identification purpose only.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2025 RMB'000	2024 RMB'000
Interest on interest-bearing borrowings (Note 17(b))	12,257	10,592
Bank charges and others	39	67
	12,296	10,659

No borrowing costs have been capitalised for the year ended 31 December 2025 (2024: Nil).

(b) Staff costs

	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits	78,556	81,927
Contributions to defined contribution retirement plan	5,516	5,611
	84,072	87,538

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs (continued)

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit plan managed by the local government authority. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plan at their normal retirement age.

The Group also participates in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar (“**HK\$**”) 30,000. Contributions to the MPF Scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2025 RMB'000	2024 RMB'000
Auditor’s remuneration	1,300	1,250
Depreciation charge		
– owned property, plant and equipment (Note 11)	125,367	105,072
– right-of-use assets (Note 12)	2,548	2,548
Provision/(reversal) of impairment losses on trade receivables (Note 25(a))	1,859	(566)
Provision of impairment losses on other non-current assets (Note 13)	7,003	–
Provision for warranties (Note 23)	7,397	6,642
Research and development costs	32,309	27,261
Cost of inventories# (Note 15(b))	993,140	855,565

Cost of inventories includes RMB160,188,000 (2024: RMB149,665,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 RMB'000	2024 RMB'000
Current taxation – PRC Corporate Income Tax (Note 21(a))		
Provision for the year	3,559	2,780
Under-provision for prior years	2,187	–
	5,746	2,780
Deferred taxation (Note 21(b))		
Origination and reversal of temporary differences	690	(637)
	6,436	2,143
	2025 RMB'000	2024 RMB'000
Profit before taxation	29,702	21,463
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	8,260	5,608
Under-provision in prior years	2,187	–
Tax effect of non-deductible expenses	2,676	2,655
Tax concessions (Note (iv))	(8,796)	(6,374)
Tax effect of withholding tax in connection with the retained profits distributed by a subsidiary of the Group	2,000	150
Tax effect of unused tax losses not recognised	109	104
Actual tax expense	6,436	2,143

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(continued)

(a) Taxation in the consolidated statement of profit or loss represents: (continued)

Notes:

- (i) The Company was incorporated in the Cayman Islands and a subsidiary of the Group was incorporated in the British Virgin Islands (the “BVI”) which are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) For the years ended 31 December 2025 and 2024, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK\$2 million assessable profits arising from Hong Kong of qualifying entity of the Group is taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2 million is taxed at 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group subject to Hong Kong Profits Tax will continue to be taxed at a flat rate of 16.5%.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2025 (2024: 25%).
- (iv) One of the Group’s subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2024 to 2027. Pursuant to the relevant tax regulations, this subsidiary is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, this subsidiary is also entitled to an additional tax deductible allowance calculated at 100% (2024: 100%) of its qualified research and development costs incurred.

Notes to the Consolidated Financial Statements

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8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2025				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Meng Lianzhou	-	292	-	-	292
Mr. Liu Zhanwen	-	172	-	-	172
Mr. Zhang Yuexuan	-	198	-	-	198
Mr. Liu Enwang	-	158	-	-	158
Ms. Meng Lingjin (Note (iii))	-	389	-	4	393
Independent non-executive directors					
Mr. Ren Keqiang	111	-	-	-	111
Mr. Yu Chun Kau (Note (i))	55	-	-	-	55
Mr. Wan Ming	111	-	-	-	111
Mr. Wong Tak Chun (Note (ii))	55	-	-	-	55
	332	1,209	-	4	1,545
2024					
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Meng Lianzhou	-	318	-	-	318
Mr. Liu Zhanwen	-	168	-	-	168
Mr. Zhang Yuexuan	-	256	-	-	256
Mr. Liu Enwang	-	163	-	-	163
Ms. Meng Lingjin (Note (iii))	-	221	-	4	225
Independent non-executive directors					
Mr. Ren Keqiang	111	-	-	-	111
Mr. Yu Chun Kau (Note (i))	111	-	-	-	111
Mr. Wan Ming	111	-	-	-	111
	333	1,126	-	4	1,463

Notes to the Consolidated Financial Statements

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8 DIRECTORS' EMOLUMENTS (continued)

Note:

- (i) On 30 June 2025, Mr. Yu Chun Kau resigned as an independent non-executive director of the Company.
- (ii) On 30 June 2025, Mr. Wong Tak Chun was appointed as an independent non-executive director of the Company.
- (iii) On 1 July 2024, Ms. Meng Lingjin was appointed as an executive director of the Company.

No emoluments were paid by the Group to the directors during the year as an inducement to join or upon joining the Group or as compensation for loss of office. The executive directors agreed to waive director's fee for the years ended 31 December 2024 and 2025. Save as disclosed herein, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2024: one) is an executive director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2024: four) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	2,049	2,167
Discretionary bonuses	70	11
Retirement scheme contributions	15	30
	2,134	2,208

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2025 Number of individuals	2024 Number of individuals
HK\$Nil to HK\$1,000,000	4	4

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to any of these five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.



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10 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB23,266,000 (2024: RMB19,320,000) and the weighted average of 800,000,000 ordinary shares in issue during the year (2024: 800,000,000 ordinary shares).

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the years ended 31 December 2025 and 2024.

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11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2024	298,769	1,087,461	21,298	68,577	1,476,105
Additions	764	673	2,285	246,543	250,265
Transfer in/(out)	5,831	142,445	–	(148,276)	–
Disposals	(9,810)	(12,606)	(2,232)	–	(24,648)
At 31 December 2024	295,554	1,217,973	21,351	166,844	1,701,722
At 1 January 2025	295,554	1,217,973	21,351	166,844	1,701,722
Additions	662	–	3,652	177,261	181,575
Transfer in/(out)	23,100	190,555	–	(213,655)	–
Disposals	–	(29,221)	(265)	–	(29,486)
At 31 December 2025	319,316	1,379,307	24,738	130,450	1,853,811
Accumulated depreciation:					
At 1 January 2024	(113,108)	(510,569)	(14,051)	–	(637,728)
Charge for the year	(12,872)	(90,573)	(1,627)	–	(105,072)
Written back on disposals	2,789	8,999	1,692	–	13,480
At 31 December 2024	(123,191)	(592,143)	(13,986)	–	(729,320)
At 1 January 2025	(123,191)	(592,143)	(13,986)	–	(729,320)
Charge for the year	(14,061)	(109,291)	(2,015)	–	(125,367)
Written back on disposals	–	18,589	258	–	18,847
At 31 December 2025	(137,252)	(682,845)	(15,743)	–	(835,840)
Net book value:					
At 31 December 2025	182,064	696,462	8,995	130,450	1,017,971
At 31 December 2024	172,363	625,830	7,365	166,844	972,402

The Group's property, plant and equipment are mainly located in the PRC.

At 31 December 2025, property, plant and equipment of the Group with carrying amount of RMB189,986,000 (2024: RMB199,436,000) have been pledged as collateral for the Group's interest-bearing borrowings (see Note 20(c)).

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

12 RIGHT-OF-USE ASSETS

	Land use rights RMB'000
Cost:	
At 1 January 2024, and 1 January 2025 and at 31 December 2025	129,159
Accumulated depreciation:	
At 1 January 2024	(25,665)
Charge for the year	(2,548)
At 31 December 2024	(28,213)
At 1 January 2025	(28,213)
Charge for the year	(2,548)
At 31 December 2025	(30,761)
Net book value:	
At 31 December 2025	98,398
At 31 December 2024	100,946

The right-of-use assets mainly represent the premiums paid by the Group for use of land situated in the PRC. The lease terms of land use rights range from 50 to 70 years.

At 31 December 2025, right-of-use assets of the Group with carrying amount of RMB83,859,000 (2024: RMB86,086,000) have been pledged as collateral for the Group's short-term Interest-bearing borrowings (see Note 20(c)).

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(Expressed in RMB unless otherwise indicated)



13 OTHER NON-CURRENT ASSETS

	2025 RMB'000	2024 RMB'000
Other non-current assets	23,343	40,897
Less: loss allowance (Note 25(a))	(7,003)	–
	16,340	40,897

In 2019 and 2020, the Company entered into several agreements with a target company (the “**Target Company**”) and a vendor (the “**Vendor**”), which is the sole shareholder of the Target Company. The Target Company is mainly engaged in the design and manufacturing of power systems, braking systems, vehicle spare parts and components in the PRC. Pursuant to the agreements, the Company will acquire 10.7% equity interests of the Target Company from the Vendor (the “**Transaction**”) at a consideration of EUR5,000,000, which the Group have paid EUR3,000,000 as a consideration, and offer a loan with principal amount of EUR2,000,000 to the Target Company for operation use, which the Group have paid it in full. As at of 31 December 2025 and up to the date of these financial statements, the Transaction has not yet been finalised due to the Target Company’s failure to update the register of the members in accordance with the Company Law in the PRC. As at 31 December 2025, the other non-current assets represents the payment made by the Group in relation to the Transaction.

During the year ended 31 December 2024, the Company initiated legal actions towards the Target Company with a view to facilitate the re-negotiation with the Vendor and attempted to finalise the Transaction but no mutual agreement with the Vendor or the Target Company was reached. The Company then submitted an application for civil case proceedings at Hebei Province Shenzhou City People’s Court* (河北省深州市人民法院) (the “**Shenzhou Court**”) for claiming the loan principal amount of EUR2,000,000 from the Target Company. On 4 March 2024, a court order issued by the Shenzhou Court to freeze the Target Company’s bank balances of RMB18,000,000 for 1 year or assets with equivalents value up to 3 years. On 21 February 2025, a court order was further issued by the Shenzhou Court to freeze the Target Company’s bank balance of RMB18,000,000 again for 1 more year.

On 23 April 2025, a civil judgement was issued by the Shenzhou Court, pursuant to which the Target Company was liable to repay the loan principal amount of EUR2,000,000 together with an interest charge of approximately RMB582,000, and which a full settlement of the loan principal amount and the relevant interest charge was then received by the Company on 30 May 2025.

On 5 June 2025, the Company filed a request of arbitration to China International Economic and Trade Arbitration Commission Shanghai sub-commission*(中國國際經濟貿易仲裁委員會上海分會) for claiming a refund of the consideration of EUR3,000,000 and the relevant interest from the Vendor.

With reference to the legal opinion of the Group’s PRC lawyers and management’s assessment, the directors of the Company opined that it is highly probable to claim the investment cost paid to the Vendor and the Target Company. Further details on the Group’s credit policy and credit risk arising from other non-current assets are set out in Note 25(a).

* English name is for identification purpose only.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries	Place of incorporation and business	Particulars of registered/ issued and paid-up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Hebei Ruifeng Technology Co., Ltd ("Hebei Ruifeng") (Note (i)) 河北瑞豐科技 有限公司	The PRC	Note (ii)	100%	–	100%	Design, manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others
Hebei Ruifeng Power Technology Co., Ltd. (Note (i)) 河北瑞豐動力 科技有限公司	The PRC	Note (iii)	100%	–	100%	Investment holding
Turbo Group Investment Limited ("Turbo Group")	Hong Kong	HK\$1, 1 share of HK\$1	100%	–	100%	Investment holding
Long Teng Holdings Limited	The BVI	United States Dollar ("US\$") 1, 1 share of US\$1	100%	100%	–	Investment holding

Notes:

- (i) The English translation of the names is for identification only. The official names of these entities are in Chinese. These entities were registered as limited liability companies under the laws and regulations in the PRC.
- (ii) This entity was registered as a wholly foreign-owned enterprise under the laws and regulations in the PRC. The registered capital is RMB200,000,000 and the paid-up capital is RMB190,924,000 as at 31 December 2025.
- (iii) This entity was registered as a wholly foreign-owned enterprise under the laws and regulations in the PRC. The registered capital and the paid-up capital are HK\$200,000,000.

Notes to the Consolidated Financial Statements

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15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2025 RMB'000	2024 RMB'000
Raw materials	64,029	81,270
Work in progress	127,555	126,149
Finished goods	137,170	139,931
	328,754	347,350
Less: write-down of inventories	(31,673)	(27,673)
	297,081	319,677

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	989,140	849,422
Write-down of inventories	4,000	6,143
	993,140	855,565

16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Trade receivables	285,916	223,695
Less: loss allowance (Note 25(a))	(40,264)	(38,405)
	245,652	185,290
Bills receivable	54,412	72,278
Other receivables and prepayments	42,230	43,857
Deductible value added tax	24,555	23,007
	366,849	324,432

Note: All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

Notes to the Consolidated Financial Statements

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16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(continued)

(a) Ageing analysis

The ageing analysis of trade receivables and bills receivable, included in trade and other receivables, based on the invoice date and net of loss allowance of the Group is as follows:

	2025 RMB'000	2024 RMB'000
Less than 1 month	168,033	161,073
1 to 3 months	94,259	66,609
3 to 6 months	37,389	29,404
Over 6 months	383	482
	300,064	257,568

The Group's customers are mainly automobile and engine manufacturers in the PRC. Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 25(a).

(b) Transfer of financial assets

The Group receives short-term bank acceptance notes from its customers as a method of settlement of goods sold. The Group is entitled to receive the full amount of face values from the issuing banks upon the maturities of these notes, which generally range from 3 to 12 months from the dates of issuance.

During the year ended 31 December 2025, the Group discounted certain bank acceptance notes at banks, and endorsed certain bank acceptance notes to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivable in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group assessed that the discounted and endorsed bank acceptance notes were issued by highly-rated banks, the credit risks were relatively insignificant and the Group was not exposed to the relative interest risk. At 31 December 2025, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the bills on maturity dates amounted to RMB159,841,000 (2024: RMB75,294,000).

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17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2025	2024
	RMB'000	RMB'000
Cash and cash equivalents in consolidated statement of cash flows	29,373	31,538
Restricted deposit with a bank (Note (ii))	-	26,000
Cash at bank and on hand	29,373	57,538

Notes:

- (i) As at 31 December 2025, cash and cash equivalents situated in the PRC amounted to RMB26,941,000 (2024: RMB30,175,000). Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control.
- (ii) The Group issued short-term bank acceptance notes to its suppliers as a method of settlement of payment, which is guaranteed by the deposit amounted to RMB26,000,000 as at 31 December 2024 in the issuing bank.

Notes to the Consolidated Financial Statements

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17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Interest-bearing borrowings RMB'000 (Note 20)	Amount due to a controlling shareholder RMB'000 (Note 19)	Dividends RMB'000	Total RMB'000
At 1 January 2025	316,487	-	-	316,487
Changes from financing cash flows:				
Proceeds from new interest-bearing borrowings	317,230	-	-	317,230
Repayment of interest-bearing borrowings	(263,960)	-	-	(263,960)
Proceeds from amount due to a controlling shareholder	-	1,346	-	1,346
Finance costs paid	(12,257)	-	-	(12,257)
Dividends paid	-	-	(14,662)	(14,662)
Total changes from financing cash flows	41,013	1,346	(14,662)	27,697
Other changes:				
Finance costs (Note 6(a))	12,257	-	-	12,257
Dividends declared	-	-	14,662	14,662
Total other changes	12,257	-	14,662	26,919
At 31 December 2025	369,757	1,346	-	371,103

Notes to the Consolidated Financial Statements

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17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Interest-bearing borrowings RMB'000 (Note 19)	Dividends RMB'000	Total RMB'000
At 1 January 2024	243,524	–	243,524
Changes from financing cash flows:			
Proceeds from new interest-bearing borrowings	241,000	–	241,000
Repayment of interest-bearing borrowings	(168,037)	–	(168,037)
Finance costs paid	(10,592)	–	(10,592)
Dividends paid	–	(10,952)	(10,952)
Total changes from financing cash flows	62,371	(10,952)	51,419
Other changes:			
Finance costs (Note 6(a))	10,592	–	10,592
Dividends declared	–	10,952	10,952
Total other changes	10,592	10,952	21,544
At 31 December 2024	316,487	–	316,487

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18 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	299,737	347,043
Bills payable	–	26,000
Trade and bill payables	299,737	373,043
Payables for construction of property, plant and equipment	118,389	78,920
Payables for staff related costs	5,532	11,903
Contract liabilities (Note (iii))	2,672	10,024
Others	16,020	13,986
Financial liabilities measured at amortised cost	442,350	487,876
Payables for other taxes	216	180
	442,566	488,056

Notes:

- (i) All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.
- (ii) The ageing analysis of trade and bills payables, which are included in trade and other payables, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Less than 1 month	114,243	147,996
1 to 3 months	75,646	109,001
3 to 6 months	37,895	66,929
Over 6 months	71,953	49,117
	299,737	373,043

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18 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

- (iii) Contract liabilities represent advances from customers for the goods to be transferred by the Group. Movements in contract liabilities (excluding those arising from increases and decreases both occurred within the same year) are set out below:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	10,024	8,876
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(10,024)	(8,876)
Advances received from customers	2,672	10,024
Balance at 31 December	2,672	10,024

19 AMOUNT DUE TO A CONTROLLING SHAREHOLDER

As at 31 December 2025, the amount due to a controlling shareholder represents a loan from controlling shareholder, which is unsecured, interest-free, and repayable by 1 year from the date of drawdown.

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(Expressed in RMB unless otherwise indicated)

20 INTEREST-BEARING BORROWINGS

(a) The Group's short-term interest-bearing borrowings comprise:

	2025 RMB'000	2024 RMB'000
Bank loans		
Unsecured	69,801	3,500
Secured by property, plant and equipment and right-of-use assets	–	40,292
Add: current portion of long-term bank and other borrowings (Note 20(b))	96,147	131,985
	165,948	175,777

(b) The Group's long-term interest-bearing borrowings comprise:

	2025 RMB'000	2024 RMB'000
Bank and other borrowings		
Unsecured	47,731	20,000
Secured by property and plant and equipment and right-of-use assets	252,225	252,695
Less: current portion of long-term bank and other borrowings (Note 20(a))	(96,147)	(131,985)
	203,809	140,710

The Group's long-term bank and other borrowings are repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	96,147	131,985
After 1 year but within 2 years	157,390	106,810
After 2 years but within 5 years	46,419	33,900
	299,956	272,695

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



20 INTEREST-BEARING BORROWINGS (continued)

- (c) The aggregate carrying amount of property, plant and equipment and right-of-use assets pledged for the Group's interest-bearing borrowings is as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	189,986	199,436
Right-of-use assets	83,859	86,086
	273,845	285,522

- (d) Certain of the Group's interest-bearing borrowings are subject to the fulfilment of covenants relating to financial ratios commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the interest-bearing borrowings would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 25(b). At 31 December 2025, none of the covenants had been breached (2024: None).

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- (a) Prepaid income tax in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
Prepaid income tax at 1 January	8,595	4,861
Provision for the year (Note 7(a))	(3,559)	(2,780)
Under-provision for prior years	(2,187)	–
Income tax paid	8,465	6,514
Prepaid income tax at 31 December	11,314	8,595

Notes to the Consolidated Financial Statements

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21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets						Liabilities		Total RMB'000
	Government grants and subsequent amortisation RMB'000	Provision for warranties RMB'000	Write-down of inventories RMB'000	Credit loss allowance RMB'000	Accumulated tax loss RMB'000	Depreciation allowances in depreciation RMB'000	Sub-Total RMB'000	Retained profits to be distributed (Note) RMB'000	
At 1 January 2024	4,125	698	3,230	5,846	1,457	4,757	20,113	(1,650)	18,463
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	1,428	425	921	(85)	(1,457)	(2,245)	(1,013)	1,650	637
At 1 January 2025	5,553	1,123	4,151	5,761	-	2,512	19,100	-	19,100
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(902)	392	600	279	-	(1,059)	(690)	-	(690)
At 31 December 2025	4,651	1,515	4,751	6,040	-	1,453	18,410	-	18,410

Note:

The balance of deferred tax liability amounted to RMB1,650,000 as at 1 January 2024 represents deferred tax liability provided in relation to the PRC withholding tax.

During the year ended 31 December 2024, dividend of RMB18,000,000 had been distributed to Turbo Group and deferred tax liability of RMB1,650,000 provided had been fully reversed accordingly.

(c) Deferred tax assets not recognised

With reference to the accounting judgements and estimates set out in Note 3(c), at 31 December 2025, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB9,123,000 (2024: RMB8,462,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)



21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(d) Deferred tax liabilities not recognised

Except for deferred tax liabilities recognised in Note 21(b), taxable temporary differences relating to undistributed profits of subsidiaries of the Group established in the PRC amounted to RMB729,190,000 at 31 December 2025 (2024: RMB741,486,000), where deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

22 DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
At 1 January	37,019	27,499
Addition	–	14,880
Credited to the consolidated statement of profit or loss	(6,012)	(5,360)
At 31 December	31,007	37,019

Deferred income represents government grants received to compensate the Group's cost of construction of property, plant and equipment. The government grants are amortised over the useful lives of the related property, plant and equipment when all attaching conditions are compiled with. At 31 December 2024, the balance includes certain unfulfilled government grants with a total carrying amount of approximately RMB7,452,000.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

23 PROVISION FOR WARRANTIES

	2025 RMB'000	2024 RMB'000
At 1 January	7,485	4,652
Provisions made (Note 6(c))	7,397	6,642
Provisions utilised	(4,781)	(3,809)
At 31 December	10,101	7,485
Current portion	2,910	2,399
Non-current portion	7,191	5,086
	10,101	7,485

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within the warranty period, which primarily ranges from one to three years from the date of customer acceptance. Provision is therefore made for the best estimate of the expected obligations under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

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(Expressed in RMB unless otherwise indicated)



24 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 24(b))	Share premium RMB'000 (Note 24(d)(i))	Exchange reserve RMB'000 (Note 24(d)(iii))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2024	66,425	93,198	20,165	(1,958)	177,830
Loss for the year	-	-	-	(772)	(772)
Other comprehensive income	-	-	6,893	-	6,893
Total comprehensive income	-	-	6,893	(772)	6,121
Appropriation to reserves Dividends declared in respect of the current year	-	(10,952)	-	-	(10,952)
	-	(10,952)	6,893	(772)	(4,831)
Balance at 31 December 2024 and 1 January 2025	66,425	82,246	27,058	(2,730)	172,999
Loss for the year	-	-	-	(9,121)	(9,121)
Other comprehensive loss	-	-	(8,279)	-	(8,279)
Total comprehensive loss	-	-	(8,279)	(9,121)	(17,400)
Appropriation to reserves Dividends declared in respect of the current year	-	(14,662)	-	-	(14,662)
	-	(14,662)	(8,279)	(9,121)	(32,062)
Balance at 31 December 2025	66,425	67,584	18,779	(11,851)	140,937

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(b) Share capital

Movements in the Company's issued share capital are as follows:

	2025		2024	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Ordinary shares of HK\$0.1, issued and fully paid:				
At 1 January and 31 December	800,000,000	66,425	800,000,000	66,425

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 May 2017 with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.1 each.

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

Subsequent to the end of the reporting period, the board of directors of the Company resolved to declare a final dividend of HK\$24,000,000, at 3 HK cents per share for the year ended 31 December 2025, which is subject to approval by the shareholders of the Company at the annual general meeting (2024: 2 HK cents). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid of 2.0 HK cents per ordinary share (2024: 1.5 HK cents per ordinary share)	14,662	10,952

A final dividend of 2.0 HK cents per share for the year ended 31 December 2024 was approved in the annual general meeting on 30 May 2025 and was distributed to those shareholders whose names are on the register of members of the Company on 20 June 2025 and, which was settled during the year ended 31 December 2025.

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(Expressed in RMB unless otherwise indicated)



24 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) **Share premium**

The application of the share premium is governed by Section 34 of the Companies Law, Chapter 22 (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(ii) **Statutory reserve**

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in the Chinese Mainland are required to transfer 10% of their respective net profits to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the respective subsidiaries and is non-distributable other than in liquidation.

(iii) **Exchange reserve**

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security brought by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



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25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to be low.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Subject to the results of credit evaluation, the Group generally grants credit period of 30 to 90 days to its customers. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not obtain collateral from customers.

The Group has significant concentration of credit risk in countries in which the majority of the Group's customers operate in the PRC, which accounted for approximately 88.3% (2024: 98.2%) of the total trade receivables as at 31 December 2025. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 21.0% (2024: 25.9%) and 70.8% (2024: 57.9%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements

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25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.8%	206,319	(3,807)
Less than 1 year past due	4.0%	44,895	(1,817)
1 to 2 years past due	90.0%	621	(559)
over 2 years past due	100.0%	34,081	(34,081)
		285,916	(40,264)

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.9%	156,901	(2,917)
Less than 1 year past due	4.2%	32,637	(1,383)
1 to 2 years past due	90.2%	531	(479)
over 2 years past due	100.0%	33,626	(33,626)
		223,695	(38,405)

The Group does not hold any collateral over trade as at 31 December 2025 (2024: Nil).

Expected loss rates are based on actual loss experience, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	38,405	38,971
Expected credit losses recognised during the year	3,900	2,365
Expected credit losses written-back during the year	(2,041)	(2,931)
At 31 December	40,264	38,405

Other receivables

Except for consideration paid for the Transaction included in other non-current assets which was identified to have significant increase in credit risk, the management of the Group considers that the other receivables have low credit risk based on its strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures. In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case, the management of the Group considers the ECL of other receivables to be insignificant after taking into account the financial position and credit quality of the counterparties.

For consideration paid for the Transaction included in other non-current assets which was identified to have significant increase in credit risk and thus impairment loss of approximately RMB7,003,000 which was measured equal to lifetime ECL was recognised during the year ended 31 December 2025.

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25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Movement in the loss allowance account in respect of consideration paid for the Transaction during the year is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	–	–
Credit losses recognised during the year	7,003	–
At 31 December	7,003	–

There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2024 and 2025.

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(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2025				Carrying amount RMB'000
	Contractual undiscounted cash flow				
	within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised cost	439,678	–	–	439,678	439,678
Amount due to a controlling shareholder	1,346	–	–	1,346	1,346
Interest-bearing borrowings	170,519	161,169	47,450	379,138	369,757
	611,543	161,169	47,450	820,162	810,781

	2024				Carrying amount RMB'000
	Contractual undiscounted cash flow				
	within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised cost	477,852	–	–	477,852	477,852
Interest-bearing borrowings	183,019	109,838	34,600	327,457	316,487
	660,871	109,838	34,600	805,309	794,339

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(Expressed in RMB unless otherwise indicated)



25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing borrowings at the end of the reporting period:

	Notional amount	
	2025 RMB'000	2024 RMB'000
Fixed rate borrowings: Interest-bearing borrowings	173,537	80,347
Variable rate borrowing: Interest-bearing borrowings	196,220	236,140
Net exposure	369,757	316,487

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,668,000 (2024: RMB2,007,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to cash flow interest rate risk. The impact is estimated as an annualised impact on interest exposure of such a change in interest rates. The analysis is performed on the same basis as 2024.

(d) Fair value measurement

Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

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26 COMMITMENTS

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

	2025 RMB'000	2024 RMB'000
Commitments in respect of property, plant and equipment: Contracted for	33,162	43,420

27 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	2,822	3,137
Contributions to defined contribution retirement plan	34	34
	2,856	3,171

Total remuneration is included in "staff costs" (see Note 6(b)).

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28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Interests in subsidiaries	14	124,090	147,915
Other non-current assets	13	16,340	25,548
		140,430	173,463
Current assets			
Other receivables and prepayments		1,025	83
Cash and cash equivalents		168	156
		1,193	239
Current liability			
Other payables		686	703
NET ASSETS		140,937	172,999
CAPITAL AND RESERVES			
Share capital	24	66,425	66,425
Reserves		74,512	106,574
TOTAL EQUITY		140,937	172,999

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend, the details of which are disclosed in Note 24(c)(i).

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors of the Company consider the immediate parent of the Group to be Dragon Rise, which is incorporated in the BVI. This entity does not produce financial statements available for public use. The directors of the Company consider the ultimate holding parties of the Group to be Mr. Meng Lianzhou, Mr. Liu Zhanwen, Mr. Zhang Yuexuan and Mr. Liu Enwang.



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31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standard, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2026

⁽²⁾ Effective for annual periods beginning on or after 1 January 2027

⁽³⁾ The effective date to be determined

The application of IFRS 18 may affect the presentation of the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of making an assessment of what the impact of adoption of IFRS 18 is expected to be in the period of initial application. Except for the above, so far it has concluded that the adoption of new/ revised IFRS Accounting Standards is unlikely to have a significant impact on the consolidated financial results.