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China PengFei Group Limited

中国鹏飞集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3348)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES

HIGHLIGHTS OF THE ANNUAL RESULTS

- Revenue for the year ended 31 December 2022 was approximately RMB1,587.4 million, a decrease of 13.0% as compared to last year.
- Gross profit for the year ended 31 December 2022 was approximately RMB288.5 million, a decrease of approximately 4.8% as compared to last year.
- Profit before tax for the year ended 31 December 2022 was approximately RMB144.6 million, an increase of 11.3% as compared to last year.
- Profit and total comprehensive income for the year ended 31 December 2022 attributable to owners of the Company was approximately RMB122.2 million, an increase of 11.9% as compared to last year.
- Earnings per share attributable to ordinary equity holders of the Company was RMB24.44cents per share for the year ended 31 December 2022.
- The Board recommended to declare the final dividend of RMB0.074 per ordinary share, totalling RMB37.0 million for the year ended 31 December 2022.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of director (the “**Board**”) of China PengFei Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021. The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS(s)**”). In addition, the annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	3	1,587,414	1,825,124
Cost of sales and services		<u>(1,298,876)</u>	<u>(1,522,080)</u>
Gross profit		288,538	303,044
Other income		9,715	10,488
Other gains and losses		16,972	(4,875)
Selling and distribution expenses		(83,293)	(87,590)
Administrative expenses		(47,919)	(52,789)
Research expenditure	4	(27,574)	(30,519)
Impairment losses under expected credit loss model, net of reversal	4	(11,690)	(7,831)
Finance costs		<u>(113)</u>	<u>(4)</u>
Profit before tax	4	144,636	129,924
Income tax expense	5	<u>(22,576)</u>	<u>(19,619)</u>
Profit and total comprehensive income for the year		<u>122,060</u>	<u>110,305</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		122,220	109,233
– Non-controlling interests		<u>(160)</u>	<u>1,072</u>
		<u>122,060</u>	<u>110,305</u>
Earnings per share	7		
– Basic (RMB cents)		<u>24.44</u>	<u>21.85</u>
– Diluted (RMB cents)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2022

		As at 31 December	
	Notes	2022	2021
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Trade receivables	8	136,500	248,231
Financial assets at fair value through profit or loss ("FVTPL")		100,000	–
Property, plant and equipment		403,950	293,837
Investment properties		9,597	10,658
Intangible assets		192	9
Right-of-use assets		45,854	46,789
Deferred tax assets		20,612	18,917
Deposits paid for acquisition of property, plant and equipment		780	24,506
		<u>717,485</u>	<u>642,947</u>
CURRENT ASSETS			
Inventories		1,002,803	827,851
Trade, bills and other receivables	8	479,350	440,535
Contract assets		78,045	112,464
Contract costs		15,948	14,653
Value-added tax recoverable		10,576	9,485
Prepayments to suppliers		139,478	92,385
Financial assets at FVTPL		100,000	200,731
Restricted bank deposits		114,090	48,967
Bank balances and cash		345,681	393,732
		<u>2,285,971</u>	<u>2,140,803</u>
CURRENT LIABILITIES			
Trade, bills and other payables	9	758,232	778,482
Contract liabilities		1,257,782	1,221,261
Tax payable		40,989	45,911
Bank borrowings		87,579	–
Deferred income		2,544	–
		<u>2,147,126</u>	<u>2,045,654</u>
NET CURRENT ASSETS		<u>138,845</u>	<u>95,149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>856,330</u></u>	<u><u>738,096</u></u>

	As at 31 December	
<i>Notes</i>	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	4,504	4,504
Share premium	110,617	143,617
Reserves	688,740	566,520
	<hr/>	<hr/>
Equity attributable to owners of the Company	803,861	714,641
Non-controlling interests	895	1,055
	<hr/>	<hr/>
TOTAL EQUITY	804,756	715,696
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Deferred income	33,768	22,400
Bank borrowings	17,806	–
	<hr/>	<hr/>
	51,574	22,400
	<hr/>	<hr/>
	856,330	738,096
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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendment to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018-2020

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to IFRS 16	Lease Liability in a Sale and Lease back ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of equipment, recognised at a point in time	1,424,583	1,484,664
Revenue from construction of production line, recognised over time	143,750	320,541
Installation service, recognised over time	19,081	19,919
	<u>1,587,414</u>	<u>1,825,124</u>

Entity-wide disclosures

Geographical information

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Mainland China	1,328,771	1,420,571
Outside Mainland China		
Including:		
Uzbekistan	88,772	191,882
Kazakhstan	51,498	37,222
Brazil	35,120	–
South Korea	27,238	1,683
Tajikistan	675	57,103
Côte d'Ivoire	426	52,872
Other countries	54,914	63,791
	<u>1,587,414</u>	<u>1,825,124</u>

Information about major customers

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	<u>(Note)</u>	<u>191,882</u>

Note: No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2022. The Group carried out transactions with this customer but the amount of the transaction was less than 10% of revenue for the respective year.

4. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	24,085	27,356
Depreciation of investment properties	1,061	1,062
Amortisation of intangible assets	39	18
Depreciation of right-of-use assets	935	984
	<u>26,120</u>	<u>29,420</u>
Capitalised in inventories	(20,517)	(23,556)
Total depreciation and amortisation charged to profit or loss	<u><u>5,603</u></u>	<u><u>5,864</u></u>
Analysed as:		
Charged in administrative expenses	4,939	4,420
Charged in selling and distribution expenses	421	185
Charged in research expenditure	243	1,259
	<u><u>5,603</u></u>	<u><u>5,864</u></u>
Auditors' remuneration	1,978	1,956
Cost of inventories recognised as cost of sales	1,210,554	1,231,321
Directors' remuneration	2,100	2,056
Other staff costs		
– Salaries and other benefits	108,900	103,094
– Retirement benefit scheme contributions	20,475	14,984
– Discretionary performance related bonus	3,471	3,099
	<u><u>132,846</u></u>	<u><u>121,177</u></u>

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Total staff costs	134,946	123,233
Capitalised in contract costs	(8,804)	(8,131)
Capitalised in inventories	(79,175)	(70,668)
	<hr/>	<hr/>
Total staff costs charged to profit or loss	46,967	44,434
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Charged in administrative expenses	21,563	20,710
Charged in selling and distribution expenses	8,740	9,577
Charged in research expenditure	16,664	14,147
	<hr/>	<hr/>
	46,967	44,434
	<hr/> <hr/>	<hr/> <hr/>
Research expenditure		
Staff costs	16,664	14,147
Depreciation and amortisation	243	1,259
Technical consultancy fee	5,274	10,006
Materials consumed	3,784	4,182
Others	1,609	925
	<hr/>	<hr/>
	27,574	30,519
	<hr/> <hr/>	<hr/> <hr/>
Gross rental income from investment properties	1,410	1,331
Less:		
Direct operating expenses incurred for investment properties that generate rental income during the year	(1,061)	(1,062)
	<hr/>	<hr/>
	349	269
	<hr/> <hr/>	<hr/> <hr/>
Impairment losses under ECL model, net of reversal		
Trade receivables	16,815	6,990
Other receivables	(26)	47
Contract assets	(5,099)	794
	<hr/>	<hr/>
	11,690	7,831
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”)	24,271	21,059
Deferred tax credit	(1,695)	(1,440)
	<u>22,576</u>	<u>19,619</u>

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

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

No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2021 and 2022.

Jiangsu Pengfei obtained the renewal of “High Technology Enterprise” certification in 2021, and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2021 to 2023.

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the years ended 31 December 2021 and 2022.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax	<u>144,636</u>	<u>129,924</u>
Tax at PRC EIT rate of 15% (2021: 15%) (note)	21,695	19,489
Tax effect of expense not deductible for tax purpose	700	410
Tax effect of deductible temporary differences not recognised	577	60
Utilisation of deductible temporary differences previously not recognised	–	(54)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(850)	(721)
Effect of different tax rates of other subsidiaries	<u>454</u>	<u>435</u>
Income tax expense	<u>22,576</u>	<u>19,619</u>

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

6. DIVIDEND

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend for ordinary shareholders of the Company	33,000	40,000

During the current year, a final dividend in respect of the year ended 31 December 2021 of HKD0.08 (equivalent to RMB0.066) per ordinary share (2021: HKD0.09479 (equivalent to RMB0.08)), in an aggregate amount of approximately HKD40,000,000 (equivalent to RMB33,000,000) (2021: HKD47,370,000 (equivalent to RMB40,000,000)), has been declared and paid to shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HKD0.084 (equivalent to RMB0.074) per ordinary share, in an aggregate amount of HKD42.2 million (equivalent to RMB37.0 million) and the aggregate amount of which will be paid out of the Company's share premium account, has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company and compliance with the Companies Act of the Caymen Islands.

7. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	122,220	109,233
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	500,000,000	500,000,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue during the year ended 31 December 2022 and 2021.

8. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	339,016	411,336
Less: Impairment loss allowance for trade receivables	<u>(53,825)</u>	<u>(39,058)</u>
	285,191	372,278
Bills receivables	<u>323,205</u>	<u>307,092</u>
Total trade receivables and bills receivables	608,396	679,370
Other receivables and prepayments		
Other receivables (<i>note ii</i>)	6,192	5,306
Prepaid expenses	581	3,435
Loan to an independent third party (<i>note iii</i>)	<u>800</u>	<u>800</u>
	7,573	9,541
Less: Impairment loss allowance for other receivables	<u>(119)</u>	<u>(145)</u>
	7,454	9,396
	<u>615,850</u>	<u>688,766</u>
Analysed as:		
Current	479,350	440,535
Non-current (<i>note i</i>)	<u>136,500</u>	<u>248,231</u>

As at 1 January 2021, the Group's trade receivables amounted to RMB356,418,000 (net of impairment loss allowance of RMB34,190,000) and bills receivables amounted to RMB354,126,000.

Note i: As at 31 December 2022, included in the Group's trade receivables was a balance of RMB136,500,000 (net of impairment loss allowance of RMB11,999,000) (2021: RMB248,231,000 (net of impairment loss allowance of RMB9,393,000)) due from a customer in respect of the construction of a production line located in the Republic of Kazakhstan, among which RMB31,166,000, RMB9,656,000 and RMB95,678,000 were aged 0 to 1 year, 1 to 2 years and over 2 years, respectively (2021: RMB10,121,000, RMB47,469,000 and 190,641,000 aged 0 to 1 year, 1 to 2 years and over 2 years, respectively). In May 2019, due to the expected delay in settlement from this customer as a result of the prolonged approval procedures from the customer's financing bank, the Group entered into a supplemental agreement with the customer, pursuant to which the Group agreed to defer an estimated amount of RMB280,000,000 (the "Deferred Payment") upon completion of the test run of the production line on or before 31 December 2019. The amount of the Deferred Payment, time period for accrual of interest and repayment schedule are subjected to finalisation between both parties according to the actual outstanding principal and interest upon completion of the production line. Both parties agreed to enter into another finalised Deferred Payment agreement with such details and terms to be fixed (the "Finalised Deferred Payment Agreement").

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

During the current year, the Group entered into an offsetting agreement with the customer and a subcontractor engaged by the Group for constructing the production line, pursuant to which RMB102,921,000 of the Group's receivables from the customer and RMB102,921,000 of the Group's payables to the subcontractor had been offset as agreed by these contractual parties.

The production line was completed in the current year. Up to the date of the issuance of these consolidated financial statements, the Group and the customer were still in negotiation and had not yet entered into the Finalised Deferred Payment Agreement.

Note ii: As at 31 December 2022, other receivables mainly included staff advance of RMB1,980,000 (2021: RMB2,838,000) and refundable tender deposits paid to potential customers of RMB3,020,000 (2021: RMB1,540,000). Staff advance was made to staff solely for business development purpose, which will be charged to profit or loss upon completion of the business development activities. The staff is required to pay back the excess, if any, to the Group immediately after such activities. Refundable tender deposits will be refunded upon completion of the tendering procedure.

Note iii: As at 31 December 2022, the Group's loan to an independent third party was unsecured, repayable on demand and carry at fixed interests of 4.40% (2021: 4.40%) per annum, and the management of the Group expects the settlement of such loan would be made within twelve months after the end of the reporting period.

The Group does not grant any credit period to its customers except for the customer set out in abovementioned note (i). The trade receivable balances at the end of each reporting period included the outstanding retention monies from its customers amounting to RMB67,679,000 (2021: RMB41,103,000) as at 31 December 2022, of which the conditions to entitlement of consideration had been reached and became unconditional.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 to 1 year	122,134	95,432
1 to 2 years	48,350	66,936
Over 2 years	114,707	209,910
	<u>285,191</u>	<u>372,278</u>

As at 31 December 2022, the Group's trade receivables of RMB285,191,000 (2021: RMB372,278,000) which are past due is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group's historical actual loss experience, had assessed that the probability of settlement from their customers was high. The management of the Group considered that the trade receivables became defaulted when these trade receivables had been past due over 2 years with no settlement within 1 year.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 to 180 days	232,053	292,409
181 days to 1 year	91,152	14,683
	<u>323,205</u>	<u>307,092</u>

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 to 180 days	319,948	303,137
181 days to 1 year	3,257	3,955
	323,205	307,092

As at 31 December 2022, bills receivables of RMB28,971,000 (2021: nil) were pledged to banks for issuing bills payables.

Movements of impairment loss allowance on trade and other receivables

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

	Lifetime ECL
	RMB'000
At 1 January 2021	34,190
Impairment loss allowance recognised	15,402
Impairment loss allowance reversed	(8,412)
Write-off as uncollectible	(2,122)
	<hr/>
At 31 December 2021	39,058
Impairment loss allowance recognised	24,003
Impairment loss allowance reversed	(7,188)
Write-off as uncollectible	(2,048)
	<hr/>
At 31 December 2022	53,825

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

	12m ECL
	RMB'000
At 1 January 2021	98
Impairment loss allowance recognised	84
Impairment loss allowance reversed	(37)
	<hr/>
At 31 December 2021	145
Impairment loss allowance recognised	45
Impairment loss allowance reversed	(71)
	<hr/>
At 31 December 2022	119

Included in the balance of impairment loss allowance are individually impaired trade receivables in full with an aggregate balance of RMB27,233,000 (2021: RMB15,893,000) as at 31 December 2022, with reference to the historical experience of these receivables, these receivables may not be recoverable. The Group does not hold any collateral over these balances.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Analysis of trade and other receivables by currency:		
Denominated in United States dollar ("USD")	14,197	6,420
Denominated in European dollar ("EUR")	75	73
	<u>14,272</u>	<u>6,493</u>

9. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	681,146	700,879
Bills payables	3,551	4,659
Other taxes payables	9,186	9,404
Amount due to an independent third party (<i>note i</i>)	983	899
Accrued expense	2,657	3,019
Accrued payroll and welfare	21,327	20,745
Unpaid incremental commission	39,238	36,221
Lease liabilities (<i>note ii</i>)	27	44
Other payables	117	2,612
	<u>758,232</u>	<u>778,482</u>

The credit period on purchases of goods ranges from 0 to 365 days during the years ended 31 December 2021 and 2022 and certain suppliers allow longer credit period on a case-by-case basis.

Notes:

- (i) As at 31 December 2022, the amount represented a loan of HKD1,100,000 (equivalent to RMB983,000) raised from an independent third party, which was unsecured, unguaranteed and carried interests at a fixed rate of 3.00% per annum (2021: 3.00%). Such loan was repayable on demand.
- (ii) The Group's lease liabilities at the end of each reporting period was arising from the lease of a piece of land for administrative purpose which was located in Haian City, Jiangsu Province, the PRC. The lease term will be expired in October 2024, with a fixed annual lease payment of RMB19,000. These lease liabilities were unsecured and unguaranteed.

Lease liabilities were measured at the present value of the lease payments that are not yet paid using its incremental borrowing rate of 4.90% per annum. The Group does not face a significant liquidity risk with regard to its lease liabilities, of which is monitored within the Group's treasury function.

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 1 year	640,158	581,751
1 year to 2 years	17,110	97,582
Over 2 years	23,878	21,546
	<u>681,146</u>	<u>700,879</u>

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

Age	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	<u>3,551</u>	<u>4,659</u>

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

Age	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	<u>3,551</u>	<u>4,659</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Expansion of customer base

The Group continued to expand its customer base by reinforcing the Group's market presence in the building materials industry. During the year ended 31 December 2022, revenue generated from customers in the building material industries amounted to approximately RMB573.1 million (2021: RMB905.3 million).

Apart from serving our customers in the building materials industry, the Group has also expanded its products and services to serve our customers in other industries, mainly metallurgy, chemical and environmental protection industries as a result of our research and development efforts. Revenue generated from our customers of equipment manufacturing in non-building materials industries accounted for approximately 61.4% and 70.2%, respectively, of our total revenue in the manufacturing of equipment business for the year 2021 and 2022. With the Group's continuous effort to tap into the metallurgy, chemical and environmental protection industries with a primary focus on the treatment of various municipal solid waste, during the year of 2022, over 80% of our rotary kilns were used in emerging industries such as laterite nickel ore, new energy lithium batteries, environmental protection sludge, solid and hazardous waste disposal.

The Group also continued its effort to expand its business into potential markets along the "Belt and Road" countries including Uzbekistan, Kazakhstan, South Korea and Ivory Coast (Côte d'Ivoire). Revenue generated from our customers in the "Belt and Road" countries accounted for approximately 19.9% and 10.9%, respectively, of our total revenue for the years 2021 and 2022. During the year, the Group has participated in the construction of four production line projects, three of which were located in "Belt and Road" countries and one of which was on-going as at 31 December 2022.

Research and Development

To maintain the Group's market position in the rotary kiln and grinding equipment industries and expand the Group's product portfolio and improve the functionality and efficiency of its products, the Group has invested in its research and development capabilities focusing on the energy saving and environmentally-friendliness technologies and continued to cooperate with research institutions in the PRC. Currently, the Group is conducting research and development with Tsinghua University on "Key Technology for Efficient Pyrolysis and Clean Utilisation of Low-rank Coal" (《低階煤高效熱解清潔利用關鍵技術》). During the year ended 31 December 2022, the Group has continued to participate in the discussion on the setting of 6 national and industry standards, including the drafting of a national standard named "Complete Sets of Equipment Technical Requirements for Lime Calcining" (石灰煨燒成套裝備技術要求). As at 31 December 2022, the Group had 109 authorised patents, comprising 54 are invention patents and 55 utility model patents. There are also 53 patent applications pending approval which primarily relate to manufacture of products in our rotary kiln and grinding equipment system.

Outlook

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

Going forward, in view of more awareness of environmental protection and the PRC government's strong desire to eliminate backward production capacity and excessive capacities in the building materials industry and reducing pollution from cement industry, we will continue to expand the Group's products and services to customers in other industries such as metallurgy, chemical and environmental protection industries.

We believe that with the recent change to China's zero-COVID policy and lifting of COVID-19 related prevention and control measures, we can achieve stable and sustainable performance despite the challenging environment and create long term value for shareholders. While the relaxation of border control policies marks a crucial step forward in defeating COVID-19 Pandemic and the national economy is expected to improve in 2023, the Directors will continue to closely monitor the settlement payment and financial position of our customers in 2023 to ensure prompt action against any recoverability issue for our trade receivables.

FINANCIAL REVIEW

Revenue

	Year ended 31 December				Year-over- Year Change %
	2022		2021		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Manufacturing of equipment	1,424,583	89.7	1,484,664	81.3	-4.0
Installation services	19,081	1.2	19,919	1.1	-4.2
Construction of production line	143,750	9.1	320,541	17.6	-55.2
Total	1,587,414	100.0	1,825,124	100.0	-13.0

Our revenue decreased by approximately RMB237.7 million or 13.0% to approximately RMB1,587.4 million for the year ended 31 December 2022 from approximately RMB1,825.1 million for the year ended 31 December 2021 as a result of the decrease in revenue from our construction of production line business and our manufacturing of equipment business.

Manufacturing of equipment. Revenue derived from manufacturing of equipment business decreased by RMB60.1 million or 4.0% to RMB1,424.6 million for the year ended 31 December 2022 from RMB1,484.7 million for the year ended 31 December 2021. The decrease in revenue derived from manufacturing of equipment business was primarily due to the decreased domestic sales of grinding equipment system made during the year.

Installation services. Revenue derived from our installation services business decreased by RMB0.8 million or 4.2% to approximately RMB19.1 million for the year ended 31 December 2022 from approximately RMB19.9 million for the year ended 31 December 2021. This decrease was mainly due to the decreased demand of installation services from customers under our manufacturing of equipment business for the year ended 31 December 2022.

Construction of production line. Revenue from our construction of production line business decreased significantly by RMB176.8 million or 55.2% to approximately RMB143.8 million for the year ended 31 December 2022 from approximately RMB320.5 million for the year ended 31 December 2021. This decrease was mainly attributable to the decrease of revenue from our construction of production line projects located in Uzbekistan.

Cost of sales and services

Our cost of sales and services decreased by approximately RMB223.2 million or 14.7% to approximately RMB1,298.9 million for the year ended 31 December 2022 from approximately RMB1,522.1 million for the year ended 31 December 2021 mainly due to decrease of sales during the same period. Cost of raw materials, being the largest component of our cost of sales and services decreased by approximately RMB26.2 million.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by RMB14.5 million or 4.8% to approximately RMB288.5 million for the year ended 31 December 2022 from approximately RMB303.0 million for the year ended 31 December 2021. The Group's gross profit margin increased to 18.2% for the year ended 31 December 2022 from 16.6% for the year ended 31 December 2021.

Other income

Our other income decreased by RMB0.8 million or 7.4% to approximately RMB9.7 million for the year ended 31 December 2022 from approximately RMB10.5 million for the year ended 31 December 2021 mainly due to the lower bank interest income for the year ended 31 December 2022 as compared with last year.

Other gains and losses

We record other gains of approximately RMB17.0 million for the year ended 31 December 2022, as compared with other losses of approximately RMB4.9 million for the year ended 31 December 2021. This was mainly due to the turn of foreign exchange loss of approximately RMB6.7 million during the year ended 31 December 2021 to a gain of approximately RMB11.0 million during the year ended 31 December 2022.

Selling and distribution expenses

Our distribution and selling expenses decreased by RMB4.3 million or 4.9% to approximately RMB83.3 million for the year ended 31 December 2022 from approximately RMB87.6 million for the year ended 31 December 2021 mainly due to the lower transportation costs incurred by the Group during the same period as transportation services requested by our customers mainly involves short-distance transport and the lower transportation expenses incurred for our overseas production line projects.

Administrative expenses

Our administrative expenses decreased by approximately RMB4.9 million or 9.2% to approximately RMB47.9 million for the year ended 31 December 2022 from approximately RMB52.8 million for the year ended 31 December 2021 mainly attributable to the lower professional services fee incurred during the year ended 31 December 2022.

Research expenditure

Our research expenditure decreased by RMB2.9 million or 9.6% to approximately RMB27.6 million for the year ended 31 December 2022 from approximately RMB30.5 million for the year ended 31 December 2021 mainly due to the lower technical consultancy fee incurred during the year ended 31 December 2022 as compared with last year.

Impairment loss under expected credit loss model, net of reversal

Impairment loss on trade and other receivables and contract assets increased by approximately RMB3.9 million or 49.3% to approximately RMB11.7 million for the year ended 31 December 2022 from approximately RMB7.8 million for the year ended 31 December 2021 mainly due to increased impairment loss on trade receivables provided for the year ended 31 December 2022. The increase in impairment loss on trade receivables provided for the year ended 31 December 2022 was mainly due to the increase of credit-impaired trade receivables during the year ended 31 December 2022 as compared last year.

Income tax expenses

Our income tax expenses increased by RMB3.0 million or 15.1% to approximately RMB22.6 million for the year ended 31 December 2022 from approximately RMB19.6 million for the year ended 31 December 2021. Our effective tax rate was 15.1% and 15.6% for the year ended 31 December 2021 and 2022, respectively.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to owners of the Company increased by approximately RMB13.0 million or 11.9% to approximately RMB122.2 million for the year ended 31 December 2022 from approximately RMB109.2 million for the year ended 31 December 2021.

WORKING CAPITAL MANAGEMENT

The Group maintained sufficient working capital as at 31 December 2022 and continued to adopt a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities of its business.

Net current assets of the Group amounted to approximately RMB138.8 million (31 December 2021: RMB95.1 million) with a current ratio calculated by dividing our current assets over our current liabilities of 106.5% (31 December 2021: 104.7%) as at 31 December 2022.

Inventories increased by approximately RMB175.0 million or 21.1% to approximately RMB1,002.8 million as at 31 December 2022 from approximately RMB827.9 million as at 31 December 2021. Inventory turnover days was 257 days for the year ended 31 December 2022, representing an increase of 76 days as compared to 181 days for the year ended 31 December 2021. The increase in inventory turnover days was mainly due to increase of work-in-progress inventories during the year ended 31 December 2022.

Trade, bills and other receivables decreased by approximately RMB72.9 million or 10.6% to approximately RMB615.9 million as at 31 December 2022 from approximately RMB688.8 million as at 31 December 2021, among which trade receivables decreased by approximately RMB72.3 million or 17.6% to approximately RMB339.0 million as compared with approximately RMB411.3 million as at 31 December 2021. In May 2019, the Group, due to the expected delay in settlement from one of our production line customers resulting from the prolonged approval procedures of its financing bank, entered into a supplemental agreement with such customer pursuant to which our Group agreed that such customer to defer the outstanding payment upon completion of test run of such production line project up to a maximum amount of RMB280 million (the “**Deferred Payment**”) bearing a fixed interest rate of 8.41% per annum secured and guaranteed by such

customer. As agreed in the supplemental agreement, the Deferred Payment up to a maximum amount of RMB280 million was agreed to be settled in every three months by 12 installments starting from 30 September 2020, but subject to a specific date upon finalisation of negotiation by both parties. As at 31 December 2022 and up to the date of this announcement, the Group is still in negotiation and had not yet agreed on a commencement date of the repayment. As at 31 December 2022, outstanding balance of approximately RMB136.5 million (net of impairment loss allowance of approximately RMB12.0 million) was included in the Group's trade receivables. Subsequent to 31 December 2022, repayment of approximately USD500,000 (equivalent to approximately RMB3.5 million) was made by such customer. Our trade receivables turnover days was 75 days (2021: 73 days) for the year ended 31 December 2022 representing an increase of 2 days. The trade receivable turnover days remained stable during the years ended 31 December 2021 and 2022.

Prepayments to suppliers increased by approximately RMB47.1 million or 51.0% to approximately RMB139.5 million as at 31 December 2022 from approximately RMB92.4 million as at 31 December 2021 primarily due to increased prepayments made to the suppliers for the purchase of raw materials.

Contract liabilities increased by approximately RMB101.5 million or 5.0% to approximately RMB2,147.1 million as at 31 December 2022 from approximately RMB1,221.3 million as at 31 December 2021. The increase in contract liabilities was mainly due to the advance payments received from our customers during the year for the new and on-going contracts obtained.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB345.7 million (31 December 2021: approximately RMB393.7 million). A portion of the Group's bank deposits totaling approximately RMB114.1 million (31 December 2021: approximately RMB49.0 million) were restricted for the raise of bank borrowings, issue of bills payables and letter of credit by the Group. The Group's cash and cash equivalents and restricted bank deposits were mostly denominated in Renminbi, Swiss Franc, United States dollars, Hong Kong dollars and Euro.

As at 31 December 2022, we had banking facilities of approximately RMB563.5 million, of which approximately RMB158.4 million were utilised. The utilised banking facilities as at 31 December 2022 represented bank guarantee of approximately RMB94.4 million and bank acceptance bill amounted to RMB64.0 million. As at 31 December 2022, our Group had unutilised banking facilities amounted to approximately RMB405.1 million. As at 31 December 2022, the Group had bank borrowings of approximately RMB105.4 million (31 December 2021: Nil).

As at 31 December 2022, the Company's gearing ratio, which is calculated by dividing our total liabilities over our equity attributable to owners of the Company multiplied by 100%, was 273.5% (31 December 2021: 289.4%). The decrease in our gearing ratio was mainly due to the increased balance of our equity as at 31 December 2022.

During the year ended 31 December 2022, the Group recorded net cash from operating activities of approximately RMB44.0 million (2021: RMB204.9 million). Net cash used in investing activities for the year ended 31 December 2022 amounted to approximately 167.8 million (2021: RMB198.0 million). Net cash from financing activities for the year ended 31 December 2022 amounted to approximately RMB72.3 million (2021: net cash used in financing activities RMB40.0 million).

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

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Given that 48% of the total trade receivables was due from a construction of production line customer of Group as at 31 December 2022 (31 December 2021: 67%), the Group has concentration of credit risk.

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

Liquidity risk

During the year ended 31 December 2022, the Group did not experience any liquidity shortage. We managed our liquidity risks by maintaining adequate level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (31 December 2021: nil).

CAPITAL EXPENDITURES

As at 31 December 2022, the Group's capital expenditures amounted to approximately RMB110.8 million (31 December 2021: approximately RMB120.8 million) which has mainly related to the acquisition of property, plant and equipment and purchase of intangible assets.

PLEDGE OF ASSETS

As at 31 December 2022, the Group's restricted bank deposits and bills receivables with an aggregate carrying amount of approximately RMB143.1 million (31 December 2021: RMB49.0 million) were pledged to banks for obtaining line of credit, securing the Group's banking facilities or issuing bills payables.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group's capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for amounted to approximately RMB1.8 million (31 December 2021: approximately RMB17.2 million).

OFF-BALANCE SHEET TRANSACTIONS

Save for the capital commitment and pledged assets disclosed above, the Group did not enter into any material off-balance sheet transactions or arrangements during the year ended 31 December 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION INFORMATION

As at 31 December 2022, the Group had a total of 1,100 employees (31 December 2021: 1,036) including staff from administrative, finance, sales, supply, technical, quality control, and production departments.

Remuneration packages of our employees usually comprise, among other things, salaries, contribution to pension schemes and allowances. We regularly review and determine the remuneration and compensation package of our employees by reference to, among other things, their performance, qualifications, respective responsibilities and market levels of salaries paid by comparable companies. For the year ended 31 December 2022, the Group's incurred staff cost (including Directors' remuneration) of approximately RMB134.9 million (2021: approximately RMB123.2 million).

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

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

USE OF PROCEEDS FROM THE SHARE OFFER

Net proceeds from the share offer (the “Share Offer”) as described in the prospectus of the Company dated 31 October 2019 (the “Prospectus”) and the listing of the Company on the Main Board of The Stock Exchange on 15 November 2019 (the “Listing Date”), after deduction of the underwriting fees and commissions and estimated expenses of the Company in connection with the Share Offer was approximately HK\$150.0 million. During the year ended 31 December 2022, there was no change in the intended use of net proceeds of the Company as previously disclosed in the Prospectus.

The table below sets forth the detailed breakdown, including the amount of utilised proceeds, the description of the proceeds, the purpose of which they are used, for the year ended 31 December 2022.

	Unutilised amount as at 31 December 2021 <i>HK\$ million</i>	Utilised amount during the year ended 31 December 2022 ^(Note 1) <i>HK\$ million</i>	Utilised amount as at 31 December 2022 ^(Note 1) <i>HK\$ million</i>	Unutilised amount as at 31 December 2022 <i>HK\$ million</i>	Expected timeline for unutilised amount
Investing in a project for manufacturing rotary kilns possessing the latest roasting and pyrolysis technology					
• Purchasing new machinery	71.3	-	71.3	-	
• Constructing a new production plant for manufacturing rotary kilns possessing the latest roasting and pyrolysis technology	43.0	-	43.0	-	
• Recruiting technicians and/or experts Product quality testing Patent application and registration	3.7	-	3.7	-	
	<u>118.0</u>	<u>-</u>	<u>118.0</u>	<u>-</u>	Fully utilised in 2021

		Unutilised amount as at 31 December 2021	Utilised amount during the year ended 31 December 2022 ^(Note 1)	Utilised amount as at 31 December 2022 ^(Note 1)	Unutilised amount as at 31 December 2022	Expected timeline for unutilised amount
Net proceeds	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Increasing the productivity and efficiency in manufacturing our products for our rotary kiln and grinding equipment system						
• Purchasing multi-tasking machine tool	10.5	–	–	10.5	–	
	10.5	–	–	10.5	–	Fully utilised in 2021
Research and development of the latest roasting and pyrolysis technology applicable to rotary kilns						
• Joint-research with a process engineering institute in the PRC for the research and development of efficient rotary kiln pyrolysis for the treatment of co-processing solid waste	4.5	2.6	2.6	4.5	–	
• Joint-research with a renowned university in the PRC for the purpose of using high efficient low-rank coal cleaning pyrolysis technology to formulate a number of core technologies	3.1	2.9	2.9	3.1	–	
• Joint-research with a renowned university in the PRC for the research and development of high-efficient energy-saving lithium calcination rotary kiln system	2.0	2.0	2.0	2.0	–	
• Participating in the national and the international drafting committees for setting the technical requirements for lime calcination rotary kiln	0.6	0.1	0.1	0.6	–	
	10.2	7.6	7.6	10.2	–	Fully utilised in 2022
Marketing activities						
• Participating in local and international exhibitions and conferences	3.5	0.8	0.8	3.5	–	
• Upgrading and optimizing our website to increase the number of readable languages	1.7	–	–	1.7	–	
	5.2	0.8	0.8	5.2	–	Fully utilised in 2022
Working capital	6.1	–	–	6.1	–	Fully utilised in 2020
	150.0	8.4	8.4	150.0	–	

Notes:

- The net proceeds were utilised by our PRC subsidiaries in RMB. The translation of RMB into Hong Kong dollars has been made at the rate of HK\$1.00 to RMB0.8176 for the purpose of this announcement.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL

During the year ended 31 December 2022, the Group has invested its available cash-in-hand in wealth management products issued by banks in the PRC as part of the Group's treasury measure for better short-term cash flows management purposes. As at 31 December 2022, the financial assets at FVTPL held by the Group were RMB200.0 million (31 December 2021: RMB200.7 million), representing 6.7% of total assets of the Group. Details of the financial assets at FVTPL held by the Group as at 31 December 2022 are set out as follows:

Financial assets at FVTPL	Subscription date	Interest rate (per annum)	Maturity date	Principal amount of subscription (RMB'000)	Changes in fair value for the year ended 31 December 2022 (RMB'000)	Carrying amount as of 31 December 2022 (RMB'000)	Percentage of total assets of the Group as of 31 December 2022
Public RMB Structured Deposit 2022, Issue 48, 6 Months A* (對公人民幣結構性存款 2022年第48期6個月A款) ^(Note 1)	15 December 2022	1.20%/3.26%	21 June 2023	100,000	-	100,000	3.3%
BOC Linked Structured Deposit CSDVY202225493 (Institutional Customer)* (中國銀行掛鈎型結構性存款 CSDVY202225493 (機構客戶)) ^(Note 2)	30 December 2022	1.6% or 4.5630%	6 January 2024	49,990	-	49,990	1.7%
BOC Linked Structured Deposit CSDVY202225494 (Institutional Customer)* (中國銀行掛鈎型結構性存款 CSDVY202225494 (機構客戶)) ^(Note 3)	30 December 2022	1.6% or 4.5530%	7 January 2024	50,010	-	50,010	1.7%

Notes:

- This wealth management product is principal-guaranteed with floating income and redeemable upon the maturity date. The Group expects to receive the principal amount and return of this product on 21 June 2023, being the maturity date. If during the observation period, the relevant linked indicator is maintained within the target range, the expected rate of return will be 1.20% per annum, otherwise 3.26% per annum. For details of this wealth management product, please refer to the announcement of the Company dated 15 December 2022.

2. This wealth management product is principal-guaranteed with guaranteed minimum return and redeemable upon the maturity date. The Group expects to receive the principal amount and return of this product on 6 January 2024, being the maturity date. If the relevant linked indicator is lower than a set baseline at the observation time, the expected minimum rate of return will be 1.6% per annum, otherwise a maximum rate of return of 4.5630% per annum. For details of this wealth management product, please refer to the announcement of the Company dated 30 December 2022.
3. This wealth management product is principal-guaranteed with guaranteed minimum return and redeemable upon the maturity date. The Group expects to receive the principal amount and return of this product on 7 January 2024, being the maturity date. If the relevant linked indicator is higher than a set baseline at the observation time, the expected minimum rate of return will be 1.6% per annum, otherwise a maximum rate of return of 4.5530% per annum. For details of this wealth management product, please refer to the announcement of the Company dated 30 December 2022.

Save as disclosed above, the Group had no significant investment held or performed any material acquisition or disposal of subsidiaries, associated companies and joint ventures during the year ended 31 December 2022 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets during the year ended 31 December 2022 and up to the date of this announcement.

SUBSEQUENT EVENTS

Save as disclosed in this announcement, no material events were undertaken by the Group subsequent to 31 December 2022.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2022.

FINAL DIVIDEND

For the year ended 31 December 2022, the Board recommended a final dividend (the “**Final Dividend**”) of RMB0.074 (not subject to withholding tax) per ordinary share (2021: RMB0.066 per ordinary share) to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Friday, 30 June 2023, totaling RMB37.0 million (not subject to withholding tax), subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Tuesday, 20 June 2023. The Final Dividend will be declared in RMB and paid in Hong Kong dollars (“**HKD**”) by applying the middle rate of HKD to RMB announced by the Bank of China on 30 March 2023, which was HKD1.00 to RMB0.8776, as the applicable exchange rate for calculation of the Final Dividend. Subject to Shareholders’ approval at the AGM, the Final Dividend payable for each ordinary share shall be HKD0.084 and the aggregate amount of which will be paid out of the Company’s share premium account. Total dividend payout ratio is 30.3% of the profit for the year attributable to the owners of the Company. The proposed Final Dividend is expected to be distributed to Shareholders on or around Thursday, 20 July 2023.

CLOSURE OF THE REGISTER OF MEMBERS

For determining eligibility to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 14 June 2023.

For determining entitlement to the Final Dividend, the transfer books and register of members of the Company will be closed from Wednesday, 28 June 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfers of shares of the Company will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at the abovementioned address not later than 4:30 p.m. on Tuesday, 27 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code on corporate governance. During the year ended 31 December 2022, the Company has complied with all the code provisions set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2022.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the audited consolidated financial statements and Annual Results of the Group and the accounting principles and policies adopted by the Group for the year ended 31 December 2022 and agreed with the accounting treatment adopted and the particulars mentioned in this announcement.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

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

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (<http://pengfei.com.cn/>). The annual report of the Company for the year ended 31 December 2022 will be dispatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

PROPOSED ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES

The Board proposes to amend the existing memorandum and articles of association (the "**Memorandum and Articles**") of the Company by adopting the second amended and restated memorandum and articles of association (the "**Amended and Restated Memorandum and Articles**"), in order to (a) bring the existing Memorandum and Articles to conform with the core shareholder protection standards set out in Appendix 3 to the Listing Rules; and (b) incorporate certain general updating and housekeeping amendments (the "**Proposed Amendments**").

The Proposed Amendments and adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the AGM. A circular of the AGM containing, among other things, details of the Proposed Amendments and adoption of the Amended and Restated Memorandum and Articles, together with a notice of the AGM, will be despatched to the Shareholders in due course.

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

Hong Kong, 30 March 2023

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